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EDITORIAL

As We See It

"We are concerned about the welfare of millions of American families . . . especially those families on fixed incomes such as school teachers, government employees, pensioners and others, upon whom inflation inflicts its greatest personal and family tragedies. Their living standards are eroded as each month's income buys less than the preceding month's. Lifetime savings counted on to provide security and dignity in old age turn out to be continually less adequate for the purpose. Insurance bought at the sacrifice of current needs affords only a fraction of the living standards and protection intended for survivors.

"It is not necessary to elaborate on the effects of inflation on the health and stability of the economy. We can already see its consequences reflected in many ways, including a reduced rate of economic growth, operation of most basic industries at levels substantially below capacity, and sizable unemployment in a number of areas, of which automotive production centers are outstanding examples. If the inflationary spiral is permitted to continue, the maladjustments already apparent in our economy will be aggravated until we are plunged into serious recession or worse. Since America's position of leadership in the free world's struggle for peace rests in the last analysis on the strength of our economy, the undermining of that strength by inflation poses a threat to the future and freedom of all humanity.

"These actual and potential consequences of inflation have given rise to increasingly urgent

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The Problems We Face

By WILLIAM McCHESNEY MARTIN, JR.*

Chairman, Board of Governors of the Federal Reserve System

Chairman Martin outlines structure and organization of Federal Reserve, and analyzes nature and character of problems confronting nation. Stating persisting inflationary price increases and resulting economic imbalances constitute System's overriding problem, maintains it would be further aggravated by creating additional bank money. Declares further inflation can be restrained through moderation of private as well as governmental spending until savings balance demands; coupled with sound fiscal policy creating larger budget surplus, and curbing growth of bank credit. Terms tragic a surrender to delusion that constant little inflation is inevitable or tolerable.

Our country has been experiencing a period of unusual prosperity, featured by heavy spending, both governmental and private. As a nation, we have been trying to spend more than we earn through production, and to invest at a rate faster than we save. The resulting demands, strong and incessant, have pressed hard upon our resources, both human and material. In consequence, prices have been rising, and the purchasing power of the dollar has been falling.

W. McC. Martin, Jr.

It is of the utmost importance to bring to bear on this critical problem all of the information and intelligence that we can muster. That is why this opportunity to appear before the Senate Finance Committee is timely and most welcome. We are not facing a new, or insoluble problem—it is as old as the invention of money—and history is marked with both defeats and triumphs in dealing with this invisible but deadly enemy of inflation. The question is not

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*Statement of Chairman Martin before the Committee on Finance, United States Senate, Aug. 13, 1957.

Inflationary Spiral Not Due To "Administered Prices"

By RICHARD RUGGLES*

Professor of Economics, Yale University

Administered pricing is absolved from causing price inflation, and from being inflexible, by Yale University professor after analyzing the data on wages, prices of manufactures, corporate profits, and consumer price index components. Tight money policy at this time is held to be self-defeating by Professor Ruggles who does depict when and where it can be more effective. Advocates stimulating productivity now by accelerated depreciation, investment-encouraging tax policies, and encouraging demand in certain areas. Sees our price inflation as having demand as well as supply-cost-side pressures.

I would like to present some evidence which I think is relevant to the general question of how much of the present inflationary spiral and high cost of living is due to the upward manipulation of prices in administered price industries. In this investigation of price increases in administered price industries, I would like to state at the outset that I am in no way qualified to speak with reference either to individual industries, such as petroleum or farm machinery, or to individual companies, such as U. S. Steel. The investigation of specific industries or firms cannot be done adequately with the kind of statistical data which are readily available in published form. These statistics are too broad in coverage and they do not take into account the special circumstances such as technological change and quality variation that can be very important for specific cases. Nevertheless, from the point of view of the economy as a whole, I do think that the published statistics can shed considerable light on the role of administered prices.

Basically, producers make profits because their receipts are greater than their costs. Prices enter into both costs and receipts. For a given level of output, a rise

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*A statement by Prof. Ruggles before the Senate Antitrust and Monopoly Subcommittee.

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A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Pan American Sulphur Co. — Albert H. Deuble, President, Yorkville Exchange Co., Inc., New York City. (Page 2)

Hood Chemical Co., Inc.—Henry J. Low, Manager of Institutional Research Dept., Gude, Winmill & Co., New York City. (Page 2)

ALBERT H. DEUBLE
President, Yorkville Exchange Co., Inc., New York City
Members of N. A. S. D.

Pan American Sulphur Company

My first and, I believe, only actual and direct contact with sulphur goes back to my childhood days. In the fall of every year, at apple harvest time, our big wooden cider barrels had to be disinfected. For this purpose, a small stick of sulphur was put into the large vessel and burned. Other modern men may remember sulphur also from their early youth when it was mixed with molasses. It took many years until I learned that sulphur and cider or molasses are of no great importance in the general scheme of things but only very incidental.

Albert H. Deuble

Actually, the industry's history goes back to antiquity. Even Dante had need of sulphur in depicting Inferno. Today's industry uses it in almost every manufacturing process even if few people come in real contact with this product. Sulphur has to be used in many industrial processes in which no satisfactory substitute has yet been found. Here are just a few examples: a large amount of sulphuric acid is needed for treating of phosphate rock for fertilizers; about 18 pounds of sulphur are required to make a ton of steel; 65 pounds for every ton of rubber products and 37½ pounds for a ton of newsprint. Sulphur also its role—just to give a few additional examples—in the production of alcohol, analine, carbon compounds, caustic soda, cellophane, cement, coke, copper, detergents, dyes, explosives, glue, glycerine, leather, livestock food, lubricants, magnesium, matches, paints and pigments, pharmaceuticals, plastics, plate glass, rayon, resins, soap, soda, solvents, sugar, textiles and tires.

The demand for sulphur grows here and everywhere else in the world. It is estimated that its consumption has been increasing at the rate of 4-5% annually. The most economical method of mining sulphur is the so-called Frasch Process. Super-heated water is forced down through a perforated pipe into the sulphur formation which is very often hundreds of feet under ground, melting the virgin sulphur and lifting, through the use of compressed air, the molten product to the surface for storage.

Texas Gulf and Freeport Sulphur have been for many years the dominating factors in the sulphur business. Their control was so tight that the price of sulphur hardly dropped during the depression years. Frasch sulphur held firm at $18 per ton, rising to $23 per ton after World War II. The present domestic price is around 27½ dollars per ton f.o.b. Gulf ports. The Korean War caused such a sulphur shortage that in the world markets sulphur was selling over $100 per ton. The discovery and development of new major sulphur domes in the United States is not to be expected. We see therefore a scramble for sulphur reserves in the Gulf of Mexico. There lies our great hope for satisfying the ever-growing demand and this is where PAN AMERICAN SULPHUR with its headquarters in Dallas, Texas, enters the picture.

In the Saline Basin of the Isthmus of Tehuantepec, Mexico, the most important discovery of Frasch process sulphur was made. Pan American Sulphur has concessions there of about 22,000 acres. After many years of hard work, extensive geological surveys and professional planning, arrangements were completed for the financing and building of one of the most modern and efficient Frasch process sulphur plants in the world. The two most essential requirements in the production process have been met: transportation and fresh water supply. Docks have been built, the National Railway of Mexico gives good serivce and a jungle stream delivers enormous quantities of fresh water at all times of the year. President Harry C. Webb had been associated with Texas Gulf for about 25 years. Vice-President Jaquet comes from Jefferson Lake Sulphur. These and other excellent men would not have joined Pan American if they would not have full faith in the prospects of this organization.

The formative years, the costly and disappointing years for the investors, are now a thing of the past. For the six months ending June 30, 1957 Pan American shows a net income of $1,637,692 compared with $699,393 during the same 1956 period (equal to 32 cents a share vs. 35 cents). In the quarter ending June 30th, 45 cents a share (same 1956 period only 22 cents) was earned. This is only the beginning. It is expected that the company will show annual earnings between $3.25 and $4.00 in the not too distant future. It may be significant that some of the best-known mutual funds which distinguish themselves very often through great farsightedness hold large blocks of Pan American. We mention in this connection especially the GEORGE PUTNAM FUND with holdings of 26,000 shares (see statement of June 30, 1957) and the BULLOCK FUND LTD. with 10,000 shares. There are only 1,886,291 shares outstanding.

The common stock of Pan American is, in my opinion, which which we back up with a position of our own, very attractive. We have a cheap growth situation (selling around $24 a share, traded over-the-counter), producing a basic raw material, having a strong financial condition and modest capital structure, low cost production and relatively high net profits, excellent management and big reserves. In a short time Pan American Sulphur has become a leader in the sulphur industry and is considered a candidate for listing on the New York Stock Exchange. What more can you want?

HENRY J. LOW
Manager, Institutional Research Dept.
Gude, Winmill & Co., New York City
Members, New York Stock Exchange

Hood Chemical Company, Inc.

HOOD CHEMICAL COMPANY, founded in 1937, is engaged in the production of household cleaning agents, such as bleach, starch and ammonia, and also rust remover, laundry blues, etc. About 85% of the company's annual sales volume is distributed through leading grocery chains and supermarkets operating from New York areas to and including Florida under the brand names of Hood, Beacon, and Zero and also under privately owned labels. In Florida, where sales have been expanding steadily, Winn-Dixie Stores and other grocery chains are marketing the company's products.

Henry J. Low

HOOD owns and operates modern plants in Jacksonville, Fla., Charlotte, N. C., and Lisbon, Ohio. A fourth plant at Fullerton, Pa. was recently sold and a new factory at South Plainfield, N. J., presently under construction, is expected to be completed at the end of next month. Operation of this new plant should greatly increase overall efficiencies and effect considerable savings since freight costs on goods shipped into the New York, Philadelphia and Baltimore areas will be substantially reduced. Research laboratories are located at the company's main office in Ardmore, Pa.

During the past eight years HOOD CHEMICAL, under the dynamic leadership of its highly regarded President, Mr. R. Y. Cutler, has built up its steadily increasing business from a company which was on the verge of bankruptcy to a leading contender in the rapidly growing field of household and industrial cleaning products. Mr. Cutler, a former banker, took over the Presidency in 1949 after a disastrous fire had razed the company's Lisbon, Ohio plant with less than half of its value covered by insurance. As a result, HOOD found itself burdened with about $400,000 bank indebtedness and claims after three years of heavy operating losses incurred by the former management. In 1950 slightly in excess of $1,000,000 was written off for deficits, trade marks, trade names, goodwill, etc. In the fiscal year ended Aug. 31, 1949, the first year under Mr. Cutler's guidance, the company reported earnings of $70,000 on sales of $2,300,000. By 1954 HOOD was completely free of debt, reported sales of $3,000,000, a net income of 9 cents per share after taxes, and initiated dividend payments with a distribution of 3 cents per share. In 1955 sales had risen to $3,200,000, earnings to 10 cents per share and another dividend payment of 3 cents was made. Last year disbursements

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The Gold Standard— Retrospect and Prospect

By FREDERICK G. SHULL
New Haven, Conn.

New Haven monetary expert explains why it is dishonest to call our irredeemable paper money "real money," or "honest money," or "as good as gold," and admits being unable to understand why "modern Republicans" still confine our citizens to irredeemable paper money. Mr. Shull provides a brief history of the development of money and an array of authorities to support his contention that fixity, redeemability on demand, and other historic principles and experiences of our past gold standard can no longer continue to be ignored as has been the case in the past 25 years. Places primary responsibility for our past quarter century of inflation on New Deal devaluation trickery; condemns further devaluation attempts; and avers banks and insurance companies have a responsibility in furthering real money.

The title of this article has been thoughtfully chosen, in order that readers, right at the start, may know just what is to be discussed herein — thus giving them an opportunity to quit right here if they are not interested in this subject. But before jumping to the conclusion that this is a subject of no interest to the average reader, it might pay one to read on a little further. To be sure, the great majority of our people will say that the Gold Standard has no bearing on their lives, and, therefore, why bother to try to understand it? My answer to that question is this: The Gold Standard is the only means the world has yet discovered for keeping a monetary-unit honest; the American dollar, of course, is a monetary unit; and the people of this nation currently own more than $500 billion of American dollars—dollars in the form of bank deposits, government bonds, and life insurance — all of which dollar-assets are recoverable **only** in definite numbers of dollars, regardless of the value of the dollar itself. Therefore if you are the owner of dollars in any, or all, of the three classes of savings mentioned, here is your opportunity to learn how you can protect your interests if you will take time to read on.

Frederick G. Shull

Historic Background

Since there appears to be a woeful lack of understanding on the part of the general public as to what the currently much-discussed "hard money" as opposed to "soft money" really means, let's first look into the historic background of money, and see to what extent gold and silver have played an important role in monetary systems throughout the centuries. And when I say "centuries," I mean just that; for those of you who read your Bibles can easily discover that both gold and silver are mentioned many times in that great Book as commodities possessing rare value. By actual count, gold is mentioned at least three times in that connection in the Book of Genesis; three times in the book of Joshua; and a dozen or more times in the First Book of Kings. That seemed ample for my present purpose, and I haven't carried that particular investigation beyond the point mentioned; but I am confident that both the Old and the New Testament can disclose many more cases where these two rare metals appear in the context.

Suffice it to say that for at least 2,500 years gold and silver have been regarded by humans as possessing high and reliable values. Therefore, it must have seemed most natural that when nations came to establish the values of their currencies in terms of something of known value—in order that those currencies might serve as a yardstick-of-value for measuring the relative values of commodities and services—they chose gold and silver.

Confining the present discussion to the period of the past 250 years, it can accurately be stated that England was on a gold-standard basis throughout the greater part of the 18th Century; throughout the 19th Century, and down to the first decades of the 20th Century. In confirmation of that statement dealing with the 18th Century, one need only draw on the authority of the world's greatest economist, Adam Smith. For in his masterpiece, "Wealth of Nations," first published in the year 1776, Adam Smith describes how meticulous the Bank of England was in preserving the Pound Sterling on a gold basis; and that bank never hesitated to pay a premium for gold, whenever necessary, in order to maintain its paper-money at par with gold.

Specifically, Smith says that at times the Bank of England had been known to go into the free gold market of London and pay as high as four pounds sterling per troy ounce of gold, and then coin that gold into English coins carrying a face value of only 3 pounds 17 shillings 10½ pence per ounce—which was the gold-standard value of the pound

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Assumptions and Interpretations Underlying SEC Laws

By ANDREW DOWNEY ORRICK*

Acting Chairman, Securities and Exchange Commission

Acting SEC head enunciates the assumptions and principles guiding the enforcement and interpretation of our securities laws, and submits some of the more persistently difficult problems of interpretation. Mr. Orrick contends that in the absence of statutory compulsion many corporations would not disclose adequate financial-business information. Indicates instances of: gun-jumping, during the pre-filing registration period; sale of securities prior to registration statement's effective date; and the making of speeches, even before a security analysts group and the issuance of special brochures dealing with the prospects of the issuer. Exposes such other problems as misuse of private offering exemptions and investment letters, exemptions from registration and misapplication of "no sale" theory.

I should like to discuss today first, certain assumptions underlying the philosophy of the Securities and Exchange Commission in its administration of the securities laws, and second, some of the more difficult problems of interpretation that continue to arise. The assumptions are self-evident. The interpretations, I submit, are consistent with the intendment of the Congress in enacting these statutes.

A. D. Orrick, Jr.

The first assumption is that the channeling of capital to industry through the process of distributing corporate securities to the public is an indispensable function in sustaining the expansive growth of our economy. The expenditures of American business for plant and equipment outlays are currently running at an annual rate in excess of $37 billion, of which approximately $10½ billion must be raised by corporations in the capital markets from individual savings. The authority entrusted to the Securities and Exchange Commission to regulate the methods and procedures employed in the sale and trading of securities in the public markets must, therefore, be exercised wisely and fairly to preserve a healthy climate for the raising of capital.

The second assumption is that the laws regulating the sale and trading of corporate securities in interstate commerce are salutary and are necessary to protect the paramount interest of the investing public. No one can reasonably object to the principle that public investors are entitled to receive adequate and accurate financial and business facts about securities offered for sale or traded in the public markets. Reliable corporate information must be made available directly to public investors and to security analysts, investment advisers and counsellors, underwriters and brokers and dealers in order to attract individual savings to corporate investments.

*An address by Mr. Orrick before the Security Analysts of San Francisco.

The third assumption is that the vast majority of the business and financial community are honest. Most persons who are subject to the disclosure provisions of the securities laws conscientiously try to adhere to the prescribed standards.

The fourth assumption, as a corollary to the preceding one, is that illegal practices that seriously undermine certain investor safeguards develop because the statutory requirements and interpretations of the Commission are not correctly or clearly understood or because of deliberate or careless evasion of the law by a small minority of the securities industry and the financial bar. Included in this category are such activities as the misuse of so-called "investment letters," the abuse of the exemptions from registration provided for private offerings and for certain exchanges of securities, the misapplication of the "no sale" theory in connection with statutory mergers and consolidations, and gun-jumping.

The fifth assumption is that, absent statutory compulsion, many corporations will not voluntarily conform to the high standards sought to be maintained by the Commission in disclosing to the public financial and business data necessary for making informed investment judgments. The objective, factual study conducted by the Commission concerning the practices of unlisted companies that would be subject to the reporting, proxy and insider trading provisions of the Fulbright bill establishes the validity of this conclusion. For example, the findings in that study showed that material items of information required by the Commission's proxy rules were omitted in over 50% of the proxy material reviewed. The financial data of over 20% of the companies studied (which are not required to file reports with the Commission) was found to be materially deficient under the standards of the Commission's accounting regulations.

The sixth assumption is that the risk of potential abuses to the investing public is innate to the business of distributing, trading, selling and purchasing such a complex commodity as corporate securities.

Two general conclusions may be derived from these six assumptions. In exercising its mandate to protect the investing public, the Commission must, first, proceed vigorously in enforcing the prospectus, reporting and antifraud provisions of the securities laws, and second, give frequent and clear public expression of its views as to the meaning of various statutory provisions and of its rules.

Our program to enforce the disclosure and anti-fraud provisions of the securities laws has included the following techniques.

Disclosure and Anti-Fraud Techniques

First, the Commission institutes stop-order proceedings to prevent offerings from becoming effective where issuers file registration statements under the Securities Act in grossly inadquate form or where filings appear to be instinct with fraud. During the last fiscal year the Commission commenced 10 stop-order proceedings as compared with eight during the preceding fiscal year.

Second, the Commission initiates disciplinary actions against brokers and dealers who distribute securities in violation of the registration provisions or who do not comply with its various rules prescribing capital, bookkeeping and margin requirements. To stop these types of violations the Commission instituted 48 injunctive actions and commenced 74 administrative proceedings to deny or revoke broker-dealer registrations during the past fiscal year as compared with 13 injunctive actions and 44 administrative proceedings during the preceding fiscal year.

Third, the Commission orders administrative proceedings to withdraw or suspend the listing of securities on national securities exchanges where the issuer has filed incomplete or misleading annual or periodic reports with the exchanges and the Commission. During the past year a total of seven such proceedings have been ordered.

The impact of several statutory provisions and rules on certain common types of transactions and practices requires repeated exposition.

Private Offering Misuse

First, consider the misuse of the private offering exemption and so-called investment letters. The question of when transactions in securities do not involve any public offering, which, therefore, may be made without compliance with the registration provisions, is both persistent and perplexing. In the Ralston Purina case the United States Supreme Court established that the principal test in determining whether an offering is public or private is the need of the particular class of offerees for the protection afforded by registration. This determination turns on the knowledge of the offerees about the affairs of the issuer or their access to the same kind of information about the issuer that would be contained in a registration statement. The Court rejected a numerical test of offerees as the criterion. However, as a matter of administrative convenience, it did approve the adoption by the Commission of some minimum figure in determining whether to investigate a transaction in which a private offering exemption is claimed to be available. As a rule of thumb, the Commission has considered that an offering made to not more than 25 or 30 persons who take the securities for investment and not for distribution, is probably a private transaction not requiring registration.

In attempting to justify reliance upon the private offering exemption, issuers have followed the practice of collecting letters of alleged "investment representations" from a limited group of purchasers—usually 25 or 30 in number. In many instances, issuers have relied on the formality of securing investment representations, and accepted them at face value, without making any investgation of the actual scope of the offering and of the financial and business facts which should have indicated that the availability of the exemption might be in jeopardy or non-existent. Neither the issuer receiving, nor the pur-

Continued on page 23

Observations . . .

By A. WILFRED MAY

A DIFFUSED STORM SIGNAL

The stock market's divergence and selectivity takes on vastly increased practical importance in the light of the attention being given to *yield* as a market factor. With stocks reacting midst bearishness and growing worry, the factor of the yield on bonds and in their relation to equities, is regaining some of its deserved respect. This yield-consciousness re-emerges after the return on stocks has declined drastically (47% since 1949), accompanied by a record rise in bond interest yields and consequently with the bond-stock yield ratio at the highest in a generation; and with the yield of common stocks in relation to tax exempts at an all-time low.

A. Wilfred May

But Which Stocks?

This column of Aug. 1, 1957 traced the decline in the stock-bond yield ratio from 2.8% in January, 1952, down through the 1.2% 1929-boomtime figure in 1956, to 0.94% in late July, 1957. For the stock component of the ratio we conventionally used Standard & Poor's 50 Industrial Stocks (usually referred to as its "Blue Chip Average"). The yield here is now 3.95%. On the much cited Dow-Jones 30 Industrials it is 4.70%. (4.38% a month ago.)

But if other and far larger areas of the market be taken as a basis for conclusions on this yield phase, an entirely different evidence is adduced. In place of the meager Blue-Chippy 3½-4½% returns on the "name" stocks, a large supply of far higher yields are going begging. This is shown in the following table, comprising average yield of the listed issues in important industries.

Group	Avg. Yield	Group	Avg. Yield
Aircraft	5.7%	Leather & Shoes	5.9%
Auto & Parts	5.4	Agricultural Machinery	5.6
Baking	5.9	Railroad Equipment	5.9
Beverage & Distillers	5.2	Retail	6.0
Finance Companies	5.1	Textile & Apparel	6.7
Foods	5.5	Tobacco	6.8
Household Furnishings	6.6		

And similarly significant is the disparity between the Dow-Jones Rail (at 6.65%) and Utility (5.18%) Averages with the 4.70% available from the D. J. Industrials. If these issues as well as those in our table be used as a yardstick, the stock-bond yield differential is not out of line with past norms.

And the earnings-margin for the dividend payouts, reflected in the price-earnings ratios—although perhaps not in glamour, "growth," and emotional-security backing—of the utilities and rails, as well as in the case of most of the non-Chip issues in our above-tabulated groups, are quite on a par with the far-lower yielding Chippy segment of the market.

And in market performance, before as well as during the market's present trouble, the popular leaders have, per the following tabulation of the post-peak record of the issues comprising the Dow-Jones Industrial Average, enjoyed no immunity.

	Highest Price 1956-57	Current 8/20 Close	% Decl. From High
Allied Chemical	12[illegible]	85	[illegible]4%
American Can	49	42	14
Amer. Smelting	64	52	13
American Tel.	187	173	8
Amer. Tobacco	84	70	17
Bethlehem Steel	51	45	12
Chrysler	87	79	9
Corn Products	32	31	1
duPont	237	192	18
Eastman	115	101	12
General Elec.	72	66	8
General Foods	51	48	20
Gen'l Motors	49	43	12
Goodyear	95	88	8
Int'l Harvester	42	34	20
Int'l Nickel	1[illegible]5	80	[illegible]%
Int'l Paper	144	95	34
Johns-Manville	58	42	30
Nat'l Distillers	29	24	17
National Steel	80	73	9
Procter & G.	55	50	9
Sears	36	26	29
Stand. Oil Cal.	60	53	12
Stand. Oil N. J.	68	62	9
Texas Company	76	70	8
Union Carbide	133	111	17
United Aircraft	96	61	38
U. S. Steel	74	66	11
Westinghouse	69	62	10
Woolworth	50	41	18
Average			16%

This 16% average market decline of the individual D. J. issues below their highs compares with a fall of but 8.1% below its August 1956 high in the far broader group in Standard & Poor's 500 Stocks. The concurrent decline by Hemphill Noyes' Index of 1,016 Big Board Issues has been only 7.1%. On the Dow Jones Average as a group the decline from the high is 7.3%. Surely, then, the penalty of the sharply lower yields obtainable on the Dow Jones Blue Chips does not carry compensatory advantage in the way of additional "safety" via market stability.

Disparity in London

Great yield divergence also occurs in the British market. But there the disparity takes place between issues within the index of leading stocks in lieu of, as here, between that top-quality group and the rest of the market.

The Economist Ordinary Share Indicator, composed of 50 issues selected for their current popularity, market activity, and growth characteristics, currently yields 5.32%. But many issues show yields far greater or lower than this *average*, as follows:

Unilever	3.50%	Imperial Tobacco	10.30%
Turner & Newall	3.19	Lancaster Cotton	10.00
Boots Pure Drug	3.11	United Steel	9.50
Marks & Spencer	2.14	Patons & Baldwin	7.60

In other words, it is demonstrated that the price of stocks on the British market is determined by value and appraisal factors applying to the specific issue, in lieu of blanket classification via popularity contest.

What investing implication shall we draw from our market's segmentization which we have demonstrated? That part of the market is now overpriced, and part fairly priced? That the public overpays for prestige and safety?

Our conclusion is that this is to some extent true. But more important and inclusive is the demonstration that our market prices, even after recent readjustments, mental as well as material, are chiefly determined by factors other than yield.

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Some slight improvement was noted the past week in over-all industrial production as steel, electric power and auto output reflected a better tone. Continued reduced-price sales promotions proved a stimulus to retail trade and, according to Dun & Bradstreet, Inc., total dollar volume the past week was 1% below to 3% above the year ago level. In the auto industry, passenger car production the past week marked an industry-wide rise of 4.8% in the August daily rate of assembly over that for the month of July.

With respect to the employment situation for the country as a whole new claims for unemployment compensation dropped 10,400 in the week ended Aug. 10 to a total of 213,800, the United States Department of Labor notes. In the like 1956 week, new claims totaled 195,900.

The number of idle workers getting jobless pay in the week ended Aug. 3 also declined, the report showed. The total was 1,205,100, or a drop of 25,500 from the week before but 75,900 higher than a year earlier.

A pre-Fall pick-up in steel orders indicates the market is getting set for a major strengthening in the middle of September, states "The Iron Age," national metalworking weekly, this week.

From a consumer viewpoint, the mild flurry of orders reflects a desire by many users to protect their inventory position. With many consumers operating at a rock-bottom level, they are insuring themselves against the effects of a major surge of automotive buying.

Just when the auto industry will come into the steel market for its 1958 model runs holds the key to the market situation. Automakers are stretching out model runs of successful 1957 cars and many may not tip their steel buying hands until more than a week after Labor Day.

It is significant that the former rule of thumb of 45-day lead time for major automotive orders can no longer be counted on. Automotive buyers count on getting steel when they want it, declares this trade weekly.

There is growing evidence that the auto industry is also operating on an extremely low inventory level. A wildcat shutdown of a major automotive supplier forced shifting of orders to other mills, with deliveries on time as a "must" condition.

Some preliminary orders for October delivery are beginning to trickle out of Detroit, but not enough to set the pattern. They are confined to sheets, with the bar market not feeling the effects as yet.

It is also significant that auto parts makers, who may have the word from their customers, are stepping up their ordering for late September, early October delivery. Some major stampers are starting to place their own tonnage.

The recent placing of many moderate orders, continues this trade paper, will lift August about 5% better than July. Mills are still operating on backlogs of orders for plate, heavy structurals, some tubular products, especially linepipe.

There is a tendency for mills to step up their semi-finished steel stocks because orders are slightly better for plates, shapes and cold-rolled sheets.

Oil companies have eased up a little on their pipe orders and oil country goods are being affected. This is not expected to become a trend. Orders from the oil companies will start to strengthen about the time the general steel market gets going in September, concludes "The Iron Age."

In the automotive industry steady passenger car production last week marked an industry-wide 4.8% rise in the August daily rate of assembly over July and the highest level of August operations in history for Ford Motor Co.

"Ward's Automotive Reports" counted 118,614 passenger car assemblies for United States plants during the week compared with 118,864 in the preceding week. In the same period of 1956 output totaled only 93,348 units.

The statistical agency said that car output is running at a level of 23,600 units daily this month following 22,529 in entire July. Production exceeding 500,000 would seem assured for this month.

"Ward's" said that Ford Motor Co. is scheduling 170,000 car output for August, equalling its post-World War II record August

Continued on page 30

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American Brake Shoe Company

By DR. IRA U. COBLEIGH
Enterprise Economist

A fine and distinguished old company with new products, young and able management, and upswinging earning power.

In our unremitting search for companies that may earn more this year than last year, our gaze fell on American Brake Shoe. We liked what we saw — a magnificent old line railway equipment company with a unique record of corporate success. ABK has earned money every year it has been in business, except 1932, and has paid continuous dividends to its stockholders since the year of its incorporation, 1902. And although it has released plenty of brakes in its time, it's not coasting on its record! It's a better and more dynamic company today than it ever was.

Ira U. Cobleigh

Since American Brake Shoe products are not on sale at Woolworths, or in supermarkets, or advertised on TV, most people are unfamiliar with them. So to correct this gap in investor information, 40% of ABK sales are to the railroad industry. These products include cast iron and cast steel wheels, brake shoes, journal bearings and railroad maintenance equipment and track accessories. Since most of these items are for replacement, sales have been steady and relatively free from cyclical swings.

A long range policy of diversification had developed a quite broad product-mix. There are automotive brake shoes and brake linings, powdered metals, welding rods, air compressors and hydraulic presses, pumps and controls. Special stress has been laid on metallurgical research and manganese steel castings capable of withstanding high stress and impact are becoming increasingly important. $30 million is being spent to expand this manganese steel line whose end products include steam-shovel buckets, ore crusher parts, and blades of bulldozers, graders and earth movers. Most of this is replacement business providing repetitive sales a la Gillette razor blades.

About 91% of gross is from domestic (U. S.) business, with 9% in export sales and earnings from subsidiaries in France and Canada. ABK also has a sizable investment holding in the common stock of a major construction and road building machinery company, Bucyrus Erie. (At the 1956 year-end, this holding was 36,310 shares with current market value of $1,400,000.)

Propelled mainly by advances in non-railway products, sales have shown a pronounced upswing in the past three years, and net sales for 1957 may, for the first time, cross the $200 million mark. For 1956 sales rose 26.5% above 1955, which carried through to a 39% increase in net over the preceding year. Net showed a further 12% rise (over 1956) for the first six months of this year.

This rising sales curve is no accident. It stems importantly from a hard driving and effective management echelon, made up for the most part of younger men. (The President and a number of major executives have not yet crossed the 50 mark.) Research and development of new products is important too, and the company is spending approximately $2 million a year on this. ABK has also been successful in the acquisition of companies fitting into its overall picture; and mergers of this sort are always a possibility in the case of a company so resourceful and so aggressive.

The common has been an active one on the New York Stock Exchange for years. It had a high of 58 in 1946 and then ranged between 31 and 45 for a number of years without indicating any sort of dynamic trend. Within the past year, however, these shares have taken on a decidedly different market tone, reaching a high of 57½ this year and currently selling around 51. The stock would presumably have looked even stronger were it not for the convertible preferred which lies ahead.

This $4 preferred is convertible into ABK common at the rate of 2.491 of common for each share of preferred. This actually works out to a conversion price of $40.15 for the common. The advantage of the conversion being so pronounced, over 90,000 preferred shares have been converted in the past year and presumably all will be so converted by Sept. 30, 1957, since the privilege expires on that date.

That permits a little more definitive description of per share earnings on the common. With full conversion, and elimination of the preferred from the corporate structure, there will be 1,611,927 shares of common outstanding on Oct. 1, 1957, preceded only by $20,400,000 of funded debt. On the basis of 1956 earnings a per share figure of $6 was attained. We would expect some improvement this year, possibly to above $6.50. This relates to present dividend rate of 60 cents quarterly regular, and a 50 cent extra, Dec. 28, 1956. This total dividend payout of $2.90 could very well be improved this year on the basis of the historic practice of the company of paying out around 70% of net in cash. Actual declarations this year might thus be expected to total $3.50 or more. On that basis the shares would make an especial appeal to yield minded buyers.

With the preferred stock out of the way, ABK common would not be retarded in the market by the imminence of further share issuance, and the rising stature of the company might suggest that the times/earning ratio might advance from 9 to 11 or more, with a corresponding rise in share prices.

Unfilled orders at March 31, 1957 stood at $57 million against $49.7 million the year before. The management is at work, too, on increasing the profit margin which, pre-tax, was 10.3% in 1956. Something above 11% should be realized this year if present trends are maintained.

ABK is the sort of stock suited to "prudent man" investment. The quite remarkably sustained earnings record, the sustainment of dividends for 55 years, and the recent and indicated rise therein, all give the shares a quality rating where the essential emphasis is on income but some conservative opportunity for market advance is desirable.

The extent of company operations is indicated by the 55 plants located in 18 states, three in Canada and one in France. 10,400 employees and 15,000 stockholders have a continued interest in the success and progress of this company.

When almost three companies out of five are currently reporting lower net earnings for the first half of 1957, it is encouraging to see this one moving ahead in all categories and looking forward to the year's result with what President Kempton Dunn calls "qualified optimism." He stated recently: "We are still not satisfied with the margin of profit on sales, and we hope to obtain steady improvement through the modernization, mechanization and expansion program now underway. This program should enable us to take full advantage of the widening markets for the company's newer products and the steady demand for its wear resistant replacement parts."

American Brake Shoe is not suggested for a volatile or dramatic price swing in the market; but it does possess nearly all of the qualities which go to make up a serene and satisfactory long term equity holding.

With Sutro Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jerome K. Goldman is with Sutro & Co., Van Nuys Building.

Joins Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Frank H. Bickel has become associated with Walston & Co., Inc., 595 East Colorado Street. He was formerly with Dempsey-Tegeler & Co. In the past he was an officer of Leo G. MacLaughlin Securities Co.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James A. Swerneman has become connected with Dean Witter & Co., 632 South Spring Street.

Shearson Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

NEWPORT BEACH, Calif. — Marjorie C. Childress has become associated with Shearson, Hammill & Co., 3363 Via Lido. Miss Childress was formerly with Crowell, Weedon & Co. and Hemphill, Noyes & Co.

Two With J. Logan

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Larry D. Beam and Jesse R. Pirtle have joined the staff of J. Logan & Co., 721 East Union Street.

Joins Harrison Staff

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Daniel B. Roberts has been added to the staff of Richard A. Harrison, Inc., 2200 Sixteenth Street.

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Municipal Bonds a Bargain Versus Common Stocks

By JOHN M. TEMPLETON
Templeton, Dobbrow & Vance, Inc.
Investment Counselors

Investment Adviser points to current unprecedentedly low stock-bond yield ratio, with return on good tax-exempts—130% above 1946—double the after-tax yield on stocks. Foresees easier money, possibly resulting from economic recession, raising price level of bonds and preferred stocks. Warns about investors' loose thinking on inflation implications, citing unexpected results in other nations. Urges far-sighted investors invest their stock market reserves in good municipal bonds.

Ten years ago, on April 17, 1947, the *Commercial and Financial Chronicle* published one of my talks which began with this sentence: "Never before in peacetime since 1908 have stock prices been so low as they are now in relation to earnings as modified by changes in interest rates." The Dow-Jones Industrial Stock Price Average was then 168. Common stock prices remained very low in relation to both earnings and dividends for two years and then began an eight-year uptrend which has carried that same index above 500 today.

John M. Templeton

Because stock prices have risen so much more than earnings and dividends, it is now possible to make a statement of an opposite kind: "Never before have the yields on common stocks net after taxes been so low as they are now in relation to yields on tax-exempt bonds."

Disparity Unprecedented

The attached chart gives the background details of this unprecedented disparity. At today's market prices for common stocks, the average yield net after tax is only half as much as it was when stock prices were very high in 1929. For the first time in history, good tax-exempt bonds yield twice as much as the average after-tax yield of common stocks. The stock yield net after tax is based on an estimate that over half of the stocks in the U. S. are held by taxpayers with taxable incomes over $20,000 a year. Of course, the net yield after tax depends on the top tax bracket of the owner. (Even for a tax-exempt owner, stock yields are now lower than tax-exempt bond yields.) An income of $20,000 this year is almost exactly ten times the average national income per capita, partly because such average includes children and others having little income. For each of the previous years (since income taxes began in 1913) we have used the top tax rate applicable to a taxpayer having ten times the average national income per capita for that year. Those tax rates are tabulated across the bottom of the chart of yields and prices.

Great Increase in Tax-Exempt Fields

Yields on tax-exempt bonds have increased 130% since 1946. No one knows when this trend will end. In large part, it has been caused by the flood of tax-exempt bonds issued since the war. Statistics assembled by Harry Severson, economist and bond analyst, indicate that tax-exempt bonds outstanding were $16 billion at the end of the war and are now $60 billion, an increase of 275%. This study estimates that the outstanding supply will reach $100 billion in 1967, a further increase of 67%.

Another cause for the decline in tax-exempt bond prices and consequent rise in their yields has been the tight money policy of the Federal Reserve Bank based on its desire to restrain inflation. When a business recession of any magnitude begins, the government will probably reverse this policy and encourage easier credit and lower interest rates. Such action would exert upward pressure on the prices of high-grade preferred stocks, taxable bonds, and tax-exempt bonds. A substantial rise in the prices of tax-exempt bonds may then occur. Quite possibly, before such trend reversal occurs, tax-exempt bonds may become available at considerably lower prices than now; but at least it can be said that today tax-exempt bond prices are more attractive, both for income and for possible capital appreciation, than at any time in the past 20 years.

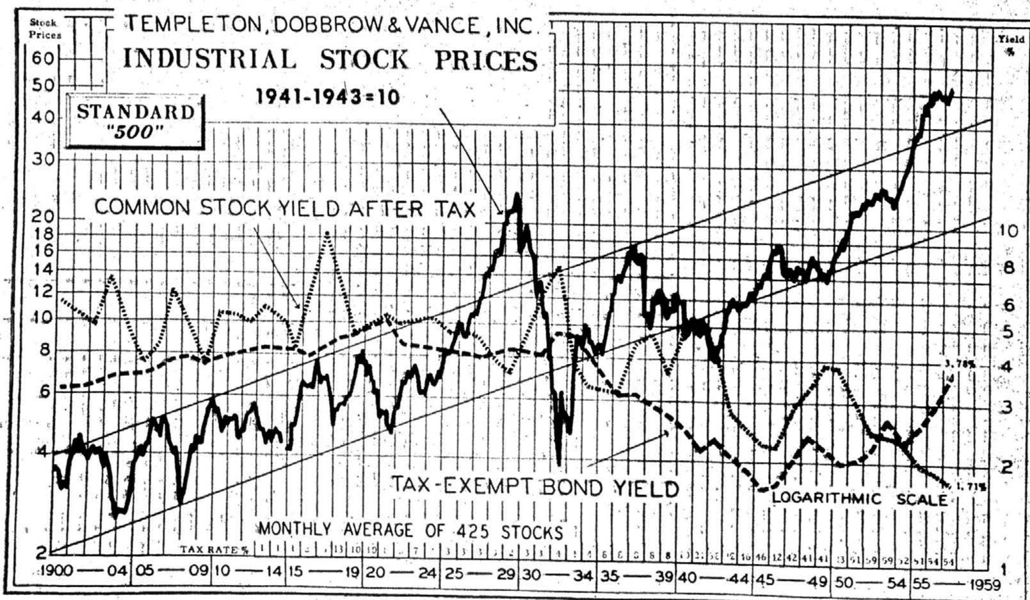
Just as no one knows when the upward trend in bond yields will end, no one knows when the downward trend in common stock yields will end either. Since 1949, stock yields have declined 47%. This was not caused by any decline in dividend rates. In fact, dividend rates increased. The yield decline was caused by a rise in stock prices very much greater than the increase in dividend rates.

An Interesting Explanation

On this subject, Mr. A. Wilfred May wrote recently the following interesting comments: "What is the explanation for this present phenomenon? Of course, there is the public's recognition—belatedly—of the inflation threat, functioning doubly as a discourager to fixed interest and capital investment, and as a stimulant to inflation-hedging stocks. But another and temporary pro-equity motivation seems to have entered, in the souring of potential bond buyers by the terrific shrinkages on their existing portfolios, with which they have become burdened emotionally as well as statistically. As a result, former avid buyers of Triple-A State tax-exempt obligations on a 2% basis now shy away from them at a 3.10% yield. Then there is the affirmative support to stock-buying from clearly speculative attributes of a bull market. The aim for 'capital gains' (avoiding a dirty word like market turn) is increasingly proclaimed as legitimate investment policy. Surely much of today's investing community doesn't know, or care very much, what his Minnesota Mining or IBM is yielding."

A rather vague fear of inflation is the reason most widely given for buying common stocks despite the fact that prices are about twice as high in relation to dividends as they were eight years ago. For more than 20 years I have been preaching the advantages of common stocks as long-term investments and the probability of continued inflation. But loose thinking on the subject of inflation can be dangerous for investors. The fact is that inflation itself does not cause higher stock prices in the long run unless it causes higher dividends. On examination of inflations in many nations, it becomes obvious that very often stock prices move in the opposite direction. The trend of stock prices in most cases corresponds instead to the trend of the dividend rate. This is true not only of the general level of stock prices in various nations, but also it is true of individual stocks when compared with one another. Various nations have had far more inflation than the United States; and it is thought-provoking to study stock yields in those nations. In Switzerland, which has had little inflation, common stock yields net after Swiss taxes are only moderately above U. S. yields. On the other hand, in Japan and Brazil, where inflation has been drastic, common stock yields net after national taxes are now several times as great as here. I have heard of no nation where common shares, owned by a man with ten times the average income per capita, yield net after tax so little as they do now in the U. S.

It is certainly possible that common stock yields may continue to decline and common stock prices may rise further; but those far-sighted investors, who are accumulating reserves for use when stocks are again available at bargain prices, can invest those reserves meanwhile to unusual advantage in good municipal bonds.



No Federal Subsidies for Small Business: Nixon

Vice-President addresses business heads brought together by The Estabrook Pen Co. to plan a Congress of Presidents of independent industries.

Vice-President Richard M. Nixon told small business heads that both big and small firms are needed but that "we cannot expect Government to subsidize businesses which are not able to stand on their own feet."

Richard M. Nixon

Mr. Nixon spoke, via closed circuit television from Washing, D. C., to a group of business leaders meeting in Camden, N. J., Aug. 20, at the call of Sydney E. Longmaid, President of the Esterbrook Pen Company, to plan for a "Congress of Presidents of Independent Industries."

Endorsing the plans being made for the first "Congress" to be held in 1958 to permit small and medium-sized firms to exchange ideas on solving operational problems and praising the Esterbrook Pen Company for having completed nearly 100 years in the manufacture of pens, the Vice-President stated as follows:

"At this point I suppose I shall be expected to engage in the usual platitudes about small businesses compared with big business in the United States. And I must admit that down in the nation's capitol that we hear a great deal, particularly as we approach election years, with regard to how important and good small business is as compared with, of course, the 'big, bad' big business. May I say something that I am sure all of you who are listening will agree with at this point. I think it is important for us to recognize that there is a place for both big business and medium business, and small business in the United States. We are not against big business; we are not against small business; we are for good business in this country, and I know that that's the spirit in which the meeting which is being planned for next year which will be primarily concerned with the problems of medium and smaller businesses—that that's the spirit in which this meeting will be held.

"So as we turn to that particular meeting and the problems with which it will be confronted, I suppose the first question that inevitably will be asked is — 'What's the Government going to do to help out?'—and, this is a question that we often are confronted with in Washington. Of course, there are certain areas in which Government activity can be helpful in aiding small business to survive during this period when costs are increasing and in which the competition particularly with big business, and with small businesses as well, becomes more and more difficult.

"For example, the Government has had a traditional responsibility in the field of anti-trust activities to see to it that monopolistic practices are not engaged in which would have the effect of squeezing out all competition. The Government also has recognized its responsibility in the field of credit activities and in the field of tax incentives in those instances where it would be proper for smaller businesses and for new enterprise. But beyond that, I think we have to recognize a fundamental truth. That we cannot expect either now or in the future the Federal Government to subsidize business in the United States which economically cannot stand on its own feet. Some assistance, some encouragement can be expected, but basically unless business is able to stand on its own and compete, there is no place for it to remain in the American economy."

Continued from page 2

The Security I Like Best

were increased to 5 cents and at least a similar payment is anticipated early in October. For the fiscal year ending Aug. 31, 1957 sales should approach $4,000,000 and net income is estimated around 20 cents per share compared with last year's earnings of 14 cents on sales of $3,500,000.

HOOD CHEMICAL is in sound financial and working capital position with current assets of $817,000 on Aug. 31, 1956, including cash and Government securities of $333,000, compared with $329,000 current liabilities. Since that time the company's financial position is understood to have strengthened further. Book value at present is about $1.50 per share. The capitalization consists solely of 700,000 shares of which the company's excellent management owns 320,000 common shares or about 46%.

The outlook for next year appears very promising particularly since production at the new plant at South Plainfield, N. J., scheduled to start in late September, should contribute greatly to more efficient operations and increased revenues. Profit margins have been satisfactory and are believed to be somewhat better than those of the company's leading competitors. Continued strong demand for bleach, starch, ammonia and liquid detergents in such growing markets as Florida and throughout the New York area, as well as further active sales expansion of the company's business with leading grocery chains, foreshadow considerable earnings improvement in the coming years. In time some diversification of the company's activities into other phases of the household products or chemical fields is anticipated. The common shares, traded over-the-counter around $2\frac{1}{2}$, are regarded as an interesting low priced speculation for good capital gain.

Two With Perry T. Blaine

(Special to THE FINANCIAL CHRONICLE)

ASHTABULA, Ohio—Philip D. Hinchliffe and Elsner J. Pearsall are now affiliated with Perry T. Blaine & Co. 4519 Main Avenue.

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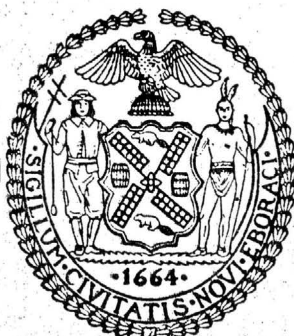

New Issue

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Due	Prices to Yield	Due	Prices to Yield	Due	Yields or Price
1958	2.75%	1963	3.50%	1968	3.75%
1959	3.00	1964	3.60	1969	3.75
1960	3.15	1965	3.65	1970	100 (price)
1961	3.30	1966	3.70	1971	100 (price)
1962	3.40	1967	3.70	1972	100 (price)

(Accrued interest to be added)

The above Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us, and subject to the approval of legality by Messrs. Wood, King & Dawson, Attorneys, New York City. Interim Bonds of the denomination of $1,000 will be delivered pending the preparation of definitive Coupon Bonds.

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August 16, 1957

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Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Area Resources—Booklet describing industrial opportunities in the region served—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

Atomic Letter (No. 30)—Features the Nuclear Navy; an artist's conception showing all 21 of the atomic vessels now in operation, under construction or planned; a table showing the principle contractors for the ships and reactor components; also mentions the large Swiss and Dutch holdings of the Fund's shares. Comments on High Voltage Engineering Company and Foote Mineral Company—Atomic Development Mutual Fund, Inc., Dept. C, 1033—30th Street, N. W., Washington 7, D. C.

Burnham View—Monthly investment letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Chessie and Her Family—Portfolio of pictures—Chesapeake and Ohio Railway, 3808 Terminal Tower, Cleveland 1, Ohio.

Earned on Stockholders Investment—Calculations of returns on 313 companies—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Investing for Inflation—Lists of suggested securities in current "Market Review"—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Hertz Corp., Corning Glass Works,** and **Black & Decker Manufacturing Company.** Current issue of the "Pocket Guide" discusses 30 **Rail Equities.**

Japanese Stocks—Current information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

1956 Motor Hotel Operating Results—Bulletin—Harris, Kerr, Forster & Company, 18 East 48th Street, New York 17, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Securities—Analysis with particular reference to **Atchison, Topeka & Santa Fe, Baltimore & Ohio RR., Chicago, Milwaukee, St. Paul & Pacific, Louisville & Northern Railroad Co., Southern Railway Company** and **Western Pacific Railroad Co.**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Twelve Promising Low Price Common Stocks—Report—Peterson & Company, 3511 Main Street, Houston 2, Tex.

World Sugar Market for 1958—Discussion of outlook—Lamborn, Riggs & Co., 99 Wall Street, New York 5, N. Y.

* * *

Bethlehem Steel—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Safeway Stores, American Agricultural Chemical** and **American Bosch Arma.**

Brewster Bartle Drilling Company, Inc.—Analysis—Rowles, Winston & Co., Bank of the Southwest Building, Houston 2, Tex. Also available is a comparison of ten marine drilling companies.

Brush Beryllium Company—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available is a study of the outlook for **Titanium.**

Canadian Javelin—Report—J. A. Wintrop Ltd., 62 Richmond Street, West, Toronto 1, Ont., Canada. Also available are reports on **Bellechase Mining Corp.** and **Aero Mining Corp.**

Federal Insurance Company—Appraisal of acquisition of Colonial Life Insurance Company—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **J. C. Penney Co.**

Fibreboard Paper Products Corp.—Data—McManus & Walker, 39 Broadway, New York 6, N. Y. Also in the same circular are data on **Norbute Corp.**

First National City Bank—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same circular are data on **Manufacturers Trust Company.**

General Merchandise Company—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is an analysis of **Texas Eastern Transmission Corporation.**

International Textbook—Analysis—Cosgrove, Whitehead & Gammack, 44 Wall Street, New York 5, N. Y.

Labrador Mining & Exploration Company Limited—Analysis James Richardson & Sons, 173 Portage Avenue, East, Winnipeg and Royal Bank Building, Toronto, Canada.

Mar Tex Oil & Gas Company—Analysis—Securities Trading Company, Wilson Building, Dallas 1, Tex.

Metal Hydrides, Inc.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Motorola, Inc.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available are lists of selected issues in various categories, and of shares reacting more than the market.

Newmont Mining Corp.—Memorandum—Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

North American Life Insurance Company of Chicago—Analysis Wm. H. Tegtmeyer & Co., 39 South La Salle Street, Chicago 3, Ill.

Northwest Production—Report—Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on **Three States Natural Gas, Delhi Taylor Oil,** and **Big Piney Oil & Gas.**

Pacific Gamble Robinson Co.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available are bulletins on **Hercules Galion Products, Inc.** and **Topp Industries, Inc.**

Pittsburgh Plate Glass—Data—Herbert E. Stern & Co., 42 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Dana Corporation.**

Robertshaw Fulton Controls Company—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Standard Pressed Steel Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Struthers Wells Corp.—Memorandum—T. L. Watson & Co., 25 Broad Street, New York 4, N. Y.

Texas American Oil Corp.—Memorandum—Kramer & Co., Incorporated, San Jacinto Building, Houston 2, Tex.

Texo Oil Corp.—Memorandum—McLaughlin, Cryan & Co., 1 Wall Street, New York 5, N. Y.

H. I. Thompson Fiber Glass Co.—Memorandum—Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles 14, Calif.

United Shoe Machinery Corp.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Westinghouse Electric—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Chrysler Corp.**

Westinghouse Electric Corp.—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Yale & Towne—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y.

COMING EVENTS

In Investment Field

Sept. 6-7, 1957 (San Francisco, Calif.)
Federal Bar Association briefing conference on securities laws & regulations at the Mark Hopkins Hotel.

Sept. 12, 1957 (New York City)
Association of Customers' Brokers annual dinner and election at Whyte's Restaurant.

Sept. 13, 1957 (Chicago, Ill.)
Municipal Bond Club of Chicago 21st annual field day at the Medinah Country Club (preceded by a dinner Sept. 12 at the University Club).

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.)
Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10, 1957 (Omaha, Neb.)
Nebraska Investment Bankers Association annual frolic and field day at the Happy Hollow Country Club (to be preceded by a cocktail party, Oct. 9 at the Omaha Club).

Oct. 10-11, 1957 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

Dec. 1-6, 1957 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Oct. 29-Nov. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—Louis R. Marks is now associated with Merrill Lynch, Pierce, Fenner & Beane, 4 South Main Street.

With Remmele-Johannes

(Special to THE FINANCIAL CHRONICLE)

GRANVILLE, Ohio—Henry J. Skipp is now with Remmele-Johannes & Co., 113 East Broadway.

With Southern Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Edwin I. Langrall is now with Southern Investment Company, Inc., Johnston Building. He was formerly with McDaniel Lewis & Co.

Joins White & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Karl V. Pieper has been added to the staff of White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange.

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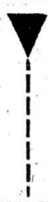

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Will French Devaluation Affect British Sterling?

By PAUL EINZIG

Noted British economist discerns possible success for the French devaluation and calls attention to factors — even though unwarranted—which may cause distrust of British sterling. Dr. Einzig holds that pessimism concerning the franc may shift to sterling; sees little difference between inflationary wage pressure in Britain and France; and states "a purely speculative attack on sterling could not get very far."

LONDON, Eng.—For all practical purposes the financial measures announced by the French Government on Aug. 10 amounted to a 20% devaluation of the franc. It is true, the official parity remains unchanged. But most imports and all exports, both visible and invisible, will be affected in exactly the same way as if the franc had been devalued to the extent of 20%. Exporters and foreign visitors of France will receive 20% more for the foreign currencies they sell to the banks. Importers — except those of essential raw materials—and French visitors to foreign countries have to pay a surcharge of 20%. At any rate this is what the somewhat involved arrangement means in practice. Moreover, the former "black market" in foreign currencies will be legalized, so that the depreciation of the franc has been officially recognized.

Paul Einzig

Is It "Too Little and Too Late"

What is surprising is not that the franc was devalued early in August 1957 by 20% but that it was not devalued much earlier and to a higher degree. The history of the thirties when the successive French devaluations were, to quote M. Paul Reynaud's memorable words, "too late and too little," appears to have repeated itself. It cost France considerable sacrifices to defer the devaluation which could with benefit have been undertaken a year or two earlier. And the 20% cut leaves very little safety margin that would enable France to be free of pressure for a prolonged period, just as sterling was free of pressure for a while after the devaluation of 1949.

Even so, it would be ungracious and ungrateful not to pay tribute to the French people and to the successive French Governments for the courageous fight they had put up in the interests of a lost cause. To resist devaluation is to resist inflation. And every Government which makes a genuine effort to resist inflation deserves a vote of thanks, not only from its own citizens but from the world at large. For in the light of the experience of recent years it has become obvious that inflation is an international trend which tends to gain in strength each time a country yields to its relentless pressure.

It would be easy to criticize France for having been too obstinate in trying to avoid the inevitable. But a country which gives in too easily to pressure to devalue invites fresh speculative attacks on its currency. The fact that the franc was defended for nine years against heavy odds may possibly discourage further attacks against it—at any rate for the time being. For this reason the 20% cut may possibly prove to be sufficient. Speculation, having won its victory, will seek new targets for its next attack.

Pessimism Diverted to Sterling

It seems possible, and even probable, that the wave of pessimism which had contributed towards the creation of conditions in which the French Government had no choice but to devalue, will now be focused on sterling. To some extent the British balance of payments may be directly affected by the French measures. British exports to France will be reduced as a result of the 20% surcharge on French imports, and French exports to Britain and to other countries buying British goods will be stimulated by the 20% bonus. Since, however, the extent to which French industries compete with British industries is relatively small, this effect is likely to be relatively moderate.

Nevertheless, it would be a mistake to underrate the possible psychological effects of the French devaluation on sterling. Once more the events have proved that official denials of intentions to devalue cannot be taken at their face value. There is bound to be a widespread feeling that sterling is likely to be the next currency to go. It is true, the basic situation of Britain is incomparably stronger than that of France. The British Budget is balanced, while the French Budget has a huge deficit in spite of the heroic cuts of expenditure decided upon recently by the French Government. And the British balance of payments, too, is at the moment more or less balanced, while France has a large import surplus. Britain's gold reserve is incomparably stronger than that of France. Moreover, British restrictions on the flight of national capital are much more effective than the corresponding French measures.

But there is nothing much to choose between inflationary wages pressure in Britian and France. And owing to the operation of international commodity markets in Britain sterling is exposed to extra pressure through purchases of dollar commodities by foreign holders of sterling.

Speculation's Chances

A purely speculative attack on sterling could not get very far. It is difficult, though not impossible, for foreign speculators to obtain a sterling credit that would enable them to sell short. Nor is there too much foreign-owned sterling available for withdrawal. On the other hand, a large-scale deferment of payments due to Britain in anticipation of a devaluation might cause some inconvenience. Above all, large-scale deferment or cancellation of orders for British and Sterling Area goods in anticipation of a devaluation might cause serious difficulties.

The development of such a tendency depends largely on the progress of the inflationary wages spiral. The outcome of wages demands in the leading industries is likely to be followed with interest abroad. Each major wages concession is likely to reinforce pessimisms about the prospects of sterling. So long as the gold reserve remains reasonably high, no devaluation within the next few months is likely to be anticipated. But heavy gold losses may occur during the autumn, and even if the threat to the international stability of the sterling is not imminent many people are liable to take a different view. They may be wrong, but the mere fact that they distrust sterling would tend to aggravate pressure on sterling. The degree of the accentuation of the pressure on sterling that followed the devaluation of the franc has provided a reminder of the extent to which sterling is vulnerable.

R. K. Davis Sales Mgr. For Fiduciary Mutual

Richard K. Davis has been named manager of sales for shares of Fiduciary Mutual Investing Company, Inc., it has been announced by Hemphill, Noyes & Co., general distributor of the mutual fund. Mr. Davis, who has been associated with the securities business for several years, joined Hemphill, Noyes last May.

Fiduciary Mutual Investing Company, formerly known as Hudson Fund, Inc., is a fully-managed balanced fund.

The Fiduciary Trust Company of New York acts as the principal investment adviser to the fund. Hemphill, Noyes & Co., members of the New York Stock Exchange and other leading securities exchanges, will distribute shares of Fiduciary Mutual Investing Company through its own sales organization and its branch offices in principal cities coast-to-coast.

With Julian Francis

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Donald E. Schmucker, Raymond A. Wasserman and Eugene M. Williams have joined the staff of Julian Francis & Co., 291 South La Cienega Boulevard. Mr. Wasserman was previously with J. Logan & Co.

ATLANTIC

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

$100,000,000

The Atlantic Refining Company

4½% Convertible Subordinated Debentures

Dated August 15, 1957 — Due August 15, 1987

Convertible into Common Stock of the Company at $53 a share until August 15, 1962 and thereafter at increasing prices, subject to adjustment in certain events.

Price 100% plus accrued interest

Copies of the Prospectus may be obtained from the undersigned only in those States in which the undersigned may legally offer these securities in compliance with the securities laws of the respective States.

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Stone & Webster Securities Corporation — White, Weld & Co.

August 20, 1957

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America's Influence For the World Peace

By HONORABLE ALFRED M. LANDON*
Former Governor of Kansas
Republican Nominee for President of the United States in 1936

Mr. Landon, speaking as an original supporter of Point Four and Marshall Plan programs, offers three points of criticism of our foreign aid program in the hope they will be corrected so as not to jeopardize the future of the program both at home and abroad. Proposes shifting grants to loans, calling a halt to the foreign aid program, fulfillment of the 1956 Presidential promises to reduce debt and taxes by economy and efficiency, and there be no weakening by the free countries of their military and economic strength. Expresses the conviction that education in U. S. S. R. has served as a boomerang and that the government there must consider domestic public reaction to its policies and acts.

Pax Romana and Pax Britannia are the world's two historic peace periods.

Both were built on the military strength and economic strength of Rome and Britain.

Alfred M. Landon

Both countries received enormous contributions from conquered peoples of soldiers and money and trade—including slaves—in the case of Russia. That's the first rule of imperialism and that's the role of Communist Russia—including slaves.

Pax Americana — in complete contrast—is building on the Eisenhower doctrine of giving military and economic strength — plus the general principles in six of Woodrow Wilson's 14 points—as common ground for the free nations.

In April—in the Mediterranean Sea—when we mobilized the Sixth Fleet in support of Jordan's independence, the whole world saw what the Eisenhower doctrine means. That was a victory for the free nations of far-reaching consequences based on America's military and economic strength.

In October, in 1956, the application of equity and justice, as outlined in those six points—to the Suez controversy and the Britain-France and Israel's invasion of Egypt—has succeeded in reducing the widespread distrust of the United States among the peoples of Asia. That also was a victory for all the free nations of far-reaching consequences.

Woodrow Wilson's Points

Point 1—"Open covenants openly arrived at." While there are problems associated with that, it fits our policy with all nations, even in the preliminary discussion of the disarmament conference.

Point 5—"A readjustment of all colonial claims in which the interests of the population concerned must have equal weight with the claims of the government whose title is to be determined."

Points 10 and 12—"On self determination." That, of course, is in line with America's traditional belief that every people have a right to choose their own government.

Point 14—"The formation of a general association of nations under specific covenants, for the purpose of affording mutual guarantees of political independence and territorial integrity to great and small states alike."

Eight months ago—for the first time in the life of mankind, collective security stopped two major powers' invasion of a smaller and weaker country.

It is true, that was not due so much to the strength and the organization of the United Nations, as it was to the position of the United States and Russia.

Nevertheless, it was not two major powers acting in collusion against two other major powers. It war the vote of censure by practically all the nations of the world standing on the principles which Britain and France and Israel signed with the rest in the United Nations charter.

The extent that the Eisenhower Administration's foreign policies are being conducted in harmony with the United Nations is even creating some criticism.

Point 3—"The removal of all economic barriers and establishment of an equality of trade conditions among all nations."

While we have not followed that free trade policy 100%, we have made sizable progress towards freer trade in our reciprocal trade treaty and negotiated tariffs. I believe that freedom of exchange —money—goods—services—arts and sciences—travel—students all contribute to a better understanding between peoples. That that has broad and deep influence in the conduct of public affairs. History is full of the effect of personal likes and dislikes—of national sentiment on both internal and international affairs.

America's influence for world peace is not only based primarily on its military strength and economic strength—but also on a realistic altered concept of the true meaning of world leadership and government's responsibility to humanity.

We have used that great strength to make enormous contributions against the tyranny of Prussian militarism—Nazism—Fascism and Communism, alike, and for freedom of the individual.

Instead of following the role of Empire—as Russia is doing—and receiving contributions, we are now continuing to make enormous contributions to foster modern higher health standards — higher production and living standards—higher educational standards — building up their national defense in 69 countries — centuries older than America.

Peoples, who for centuries have only known power and ruthless willingness to wield it are finding it difficult to understand America's using its resources and great strength to promote peace based on the practical problems and intellectual movements for the general welfare of humanity. We saved helpless Russians in World War II. Not until her plans for reducing all the world to Communist colonies were revealed did we start our programs of military aid.

New ideas and new philosophies are stirring masses of heretofore somewhat lethargic peoples the world over. There is much soul searching and wrestling going on today in America with such problems as segregation. India has not only her caste or segregation problems — especially regarding the "untouchables"—but also bitter religious differences between the Moslems and Hindus. Religious segregation is also true in Pakistan—the 11 Arabian nations and Israel. South Africa has bitter racial problems.

Freedom is in the air everywhere. But it is more than freedom.

That new thinking — the new faith—that new desire—to establish on a better basis the day by day workings of society and bringing the real meaning of the truths of civilization to more peoples is taking on truly great proportions. It is voiced in the most unexpected places.

The new ventures in the ancient problems of human relationship have become so real and taken on such proportions in many countries that governments all over the world are reviewing their policies and actions.

That recent and world - wide practical application of the general welfare statement in our American Constitution that "all men are entitled to life—liberty—and the pursuit of happiness" is reshaping politics and economics even in darkest Russia and China.

I remember President Franklin D. Roosevelt discussing with me—I think it was my last visit with him—what has come to be known as the point four international gift program. President Roosevelt was thinking of it as a definite—but temporary — contrast to the colonial policies of Britain and France.

I agreed with Mr. Roosevelt that it was a good start on a sound foundation for a peaceable world. With his permission, I mentioned our discussion to the reporters when I left the White House. I believe the whole program—great as its accomplishments now—needs revision in the light of experience.

Offers Three Criticisms

It will be a great mistake to ignore the rising tide of legitimate criticism against our foreign aid program.

(1) Its size. Trying to do too much too quickly. That, of course, is characteristic of all American undertakings.

(2) Attributes of permanence. However, it must be remembered that a large part of the program is a matter of our national defense.

(3) The mistakes and waste by administering and planning through inexperienced personnel —especially waste.

To ignore these points of legitimate criticism is to jeopardize the future of the program both at home and abroad.

For illustration, take the recent tragic kidnapping and murder in Iran of two American men—point four employees—and the wife of one of them by a bandit gang. They had no business in that location. They ought never to have been there—especially the American woman.

The uproar that tragedy aroused resulted in the resignation of the Prime Minister of Iran, who was a great friend of the western democracies. The repercussion of the tragic affairs of a non-com officer, in Korea, in Japan and in Greece is spreading all over the world. We have had similar experiences in Germany. There have lived few peoples with "soul so dead" that they did not resent being told too much and too long what to do by a foreign country. Too much and too long of that is as bad as too little and too late.

I was the first Republican leader to speak vigorously in support of the Turko-Grecian loan, saying at the time it would have to be expanded to include the Pacific. I remember how bitterly that policy was fought by the left-wingers in this country. They screamed it would mean war with Russia. I strongly supported the Marshall Plan.

The questions I raise about our foreign aid program—is it balanced; is it being spent wastefully; is it being placed where it will do the most good for peace. I firmly believe it should be shifted from gifts to loans. Loans are made in the atmosphere of understanding, of cooperation and mutual respect. Outright grants are made in the atmosphere of condescension.

Calls for a Halt

I think it is time to start calling a halt to our foreign aid program. Its continuance indefinitely on the present scale is fraught with dangerous consequences to the United States.

The present size of our national debt, the rate of our taxation—local, state and national — is a threat to the strength of the United States. Any weakening of the economic strength of the United States will be of disastrous consequences to the free world.

We have a patchwork act designed to provide for the unification of our army, navy and air commands. I do not know of any essential government function where we have done such an inadequate job as we have in the organization of our armed forces for national defense. We have joint chiefs of staff and a chairman where we must have a general staff and a chief of staff. Without that, we cannot have unity of the three services—now wasting the public's money and manpower by bitter rivalries—nor can we have the coordinated plan our national defense demands. I am not only concerned regarding this fallout from the H-bomb, but the continuing fallout between our admirals and generals.

All the evidence points to the fact that we could have stronger defense for much less money if the three services were more efficiently unified and organized.

We have Federal aid to small business, to farmers, emersed in bureaucratic red tape to the extent that their benefits are clogged and their costs are increased.

According to the Hoover Report, the Federal Government is spending money for a lot of enterprises it does not need to, and the new Federal budget proposes to take on some more non-essentials. Mr. Eisenhower's budget proposes 14 new grants in aid to the states on top of the existing 53.

Unfortunately, Government does not have the check on its activities on wasteful and inefficient management that business has in its profit and loss statement.

Fulfilling Campaign Promises

The President has said he is not going to welsh on his promises to the American people in the 1956 National Republican platform. But how about his promises to reduce the national debt and national tax rate by economy and efficiency in government? The only way to restore a sound fiscal policy in America is a determined, persistent and consistent reduction of our monstrous national debt. The place to start is with the Federal budget now pending before the Congress.

The Secretary of the Treasury's responsibility and integrity to his job compelled him to voice his grave fears of the gargantuan size of the Federal budget. Having expressed his official opinion that clashed with the President's and the rest of the Cabinet, he resigned.

Of course, Secretary of Treasury Humphrey's resignation was expressed in polite terms of having nothing to do with his vigorous statement on the menace of the President's budget to our national security.

The President's acceptance of Mr. Humphrey's resignation was expressed in the same diplomatic language. That is the way political policy differences are settled at the Presidential levels. It is like divorced Hollywood stars announcing that they are still the best of friends.

The Federal budget must be sliced. Where it is sliced is of prime importance to our national security. The principal attack must be confined to our foreign aid and military expenses—although economies can be effected there. Major economies must be made in other Government functions, if the national Government credit is to be maintained.

Cites Soviet Failures

Any objective translation of the Communist patter must reach the conclusion that their plans have not worked out for either industrial or agricultural production and admissions that great terrible injustices were done in the name of the Communist revolution. There is a growing rift between the people and the party privileged class not only in their colonies but in Russia and China. The Soviet has failed in its desperate and persistent attempts to weaken America's influence for peace by developing friction between the free countries into a split. Khrushchev's foreign policies in the Near East suffered a disastrous defeat. The sheer brutality of the Communists in Hungary shocked the whole world. Khrushchev this week slyly fell back on the old Communist pretensions that their ideology is a bigger weapon for conquering the world than their H-bomb. He must mean

*An address by Hon. Landon before the Kansas Institute of International Relations, Wichita, Kan.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Offering Circular.

New Issue

100,000 SHARES

ELECTRONIC RESEARCH ASSOCIATES, INC.

CLASS A COMMON STOCK
(Par Value $.10 per share)

Price $3 per share

Copies of the Offering Circular may be obtained from the undersigned only in States in which the undersigned is qualified to act as a dealer in securities and in which the Offering Circular may legally be distributed.

SINGER, BEAN & MACKIE, INC.
40 Exchange Pl., New York 5 HAnover 2-0270

August 20, 1957

they have perfected new methods of brain washing.

All that does not mean a change in the Soviet's objectives of reducing the rest of the world to Russian or Chinese colonies by force.

That does mean that the Communist dictators feel compelled to reshuffle their tactics — temporarily at least—by fear of incipient public opinion at home, in their colonies and their loss of public respect and prestige abroad.

The basic error in Marx and Lenin thinking and teaching is becoming evident.

They believed and taught that Communism could be established by seizing complete control of a country—liquidating the existing middle class—and bringing up an entire new generation in the belief that all democracies were decadent; that all evil came from capitalism and all good came from Communism.

Despite the fact that the slightest deviation from that basic tenet of Communism has been punished by torture — murder and slave camps on a scale never heretofore known in the world's history, the revolt against the heartless Soviet tyranny is stirred by the students and the coming generation, not only in Hungary and Poland, but in Russia itself. Youth at any time and in any country have always raised their voices in protest against inhumanity and in behalf of freedom, equity and justice.

Education As a Boomerang

I submit that the more literate a country becomes—and education of the masses is one of the proudest boasts of the Soviet—and the bigger the middle class a country develops—and that is growing in Russia—I submit the more any government must consider public reaction at home to its policies and acts.

Mankind has never known such a horrifying attempt to mold the thinking and the beliefs of masses of people like the Communists have attempted in China, in Russia and in their colonies. The press, the radio, all literature, were controlled. It was an offense punishable by sentence to the slave camps, to listen to any outside radio. Broadcasting from the free countries was "jammed" by the Soviet's electronic instruments.

The music, arts and sciences of the world were either derided and ridiculed or claimed as Russian.

Even an agricultural scientist was punished by Stalin for saying that America was producing better corn than Russia. Now Khrushchev is importing hybrid corn seed from America. The economy of Russia has forced a drastic revision in Communistic thinking and planning. Neither the Russian industrial production nor agricultural production can sustain a long war, let alone mounting peacetime demands. Attempting to meet these demands, the management of industry and agriculture is being decentralized by the Soviet. While control will center in the Kremlin, the scattering over Russia of this new privileged class means some weakening of centralized control. This is of political significance.

That should mean in time the growth of local government and strong local government is always a check to centralized tyranny.

All that adds up that public opinion is more existent today, although still subject to control and punishment, than heretofore in Russia and its colonies. What's more important, incipient public opinion always generates and grows. If that be true time is fighting on the side of the free world.

Reaction to Atomic Bombs

I believe that a working and sizable public opinion can be as great a deterrent to war as the H-Bomb itself.

A rising tide of public objections is evident the world over to further atomic and hydrogen bomb tests.

Scientific opinion on the required limitations of these tests to avoid menacing all present and future life is divided.

Public opinion here and in the free world at least is aroused by the discussion and warnings in recent months. Although the necessity of preparing for a nuclear war cannot be ruled out as long as one man in the Kremlin can start it. And don't overlook the fact that most wars have been started by one man. However, I believe there is something more significant and vital in the background of public thinking than these bomb tests—as important as that question is.

That is the belief that there can be no victor in a modern war is at least penetrating the inertia of peoples and their governments.

Norman Angell, in *The Great Illusion*, published in 1913, explained that simply and persuasively. But it has taken two world wars and one lesser one to dramatize the fact that all—including neutrals — are losers in modern war. It should be obvious that "nuclear neutrality"—or for that matter neutrality of any kind with H-Bombs dropping—is an iridescent dream.

Wars are never the desire or the will of popular governments. Wars are the product of the stupidity — the cupidity — the arrogance—or the fanaticism of the Napoleons—the Kaisers—the Hitlers of the world.

All of them and their people were lured to their defeat and destruction by early and easy victories.

In our time, peace or destruction got down to one man in the case of the Kaiser and Hitler—now once again it is one man in Khrushchev, who apparently has just about nailed down his supremacy in the Kremlin. While he could still slip, the chances of his doing so are becoming more and more remote.

Today, the 11 in the Kremlin must be discussing whether to consolidate their great territorial gains—check the cracks beginning to appear in their monolithic structure before they widen further—or lured as Napoleon—the Kaiser and Hitler were by early and easy conquests — they may still be deluded by their fanaticism into believing that democracies are decadent and will not fight under any circumstances.

Until the 11 in the Kremlin's decision becomes clear and unmistakable—until the party boss Khrushchev decides whether he wants to be another Hitler—or a Moses—there must be no weakening by the free countries of their military defenses—and their economic strength — if they prefer freedom to Communist slavery even to the point of no return.

New McCarley Office

KINGSPORT, Tenn.—McCarley & Company, Inc. have opened an office at 228 Commerce Street, with John E. Waller, Jr. in charge.

Mohawk Valley Branch

POTSDAM, N. Y. — Mohawk Valley Investing Company, Inc. has opened a branch office at 3 Market Street under the management of Edmund A. Nolan.

A. M. Kidder Branch

NEWARK, N. J.—A. M. Kidder & Co., Inc. has opened a branch office at 744 Broad Street under the management of Maurice J. Ferris.

Leigh Back Opens

REGO PARK, N. Y.—Leigh S. Back is engaging in a securities business from offices at 65-09 Ninety-ninth Street under the firm name of Leigh S. Back Co.

Harris, Upham & Co. Sponsors Business News Program

Ashely Thorndike (seated left), partner in charge of advertising for Harris, Upham & Co., nationwide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange, looks over the final details of a 52-week contract for sponsorship of a business news program on WCBS Radio at 6:40-6:45 p.m., Monday through Friday. WCBS Radio General Manager, Sam J. Slate, is seated at the right. Standing left to right are Cliff McCall, account executive, Albert Frank-Guenther Law, Inc., advertising agency; Joe Cox, CBS Radio spot sales; and Larry Butner, time buyer, Albert Frank-Guenther Law. The program starts Monday, Sept. 2.

Brady Garvin Partners

On Aug. 1 John R. O'Neill and Margaret D. Loughlin became partners in Brady, Garvin & Co., 115 Broadway, New York City, members of the American Stock Exchange.

Form Dividend Sec.

SAN FRANCISCO, Calif.—Dividend Security Company has been formed with offices in the Russ Building to engage in a securities business. Herbert R. Lee is a principal of the firm.

Form Block Investment

Block Investment Co. has been formed with offices at 480 Lexington Avenue, New York City, to engage in a securities business. Partners are Louis Weinstein, Irving Sussman and Nathan Salzinger.

Opens Inv. Office

Edna Campbell Markey is engaging in a securities business from offices at 175 Fifth Avenue under the firm name of Campbell-Markey.

Alfred Engel Opens

GRAND ISLAND, N. Y.—Alfred Engel is conducting a securities business from offices at 1 Towerwood Road.

Cass Franklin Opens

Cass Franklin is engaging in a securities business from offices at 1576 Broadway, New York City.

Forms Goade Inv. Assoc.

WYANDANCH, N. Y.—Charles W. Goady is engaging in a securities business from offices at 1305 Straight Path under the firm name of Goade Investment Associates.

Leonard Inslee Opens

ONEIDA, N. Y. — Leonard N. Inslee is engaging in a securities business from offices on Kenwood.

Republic Inv. Corp.

LEVITTOWN, N. Y.—Republic Investors Corporation has been formed with offices at 3000 Hempstead Turnpike to engage in a securities business.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$90,000,000

The Pacific Telephone and Telegraph Company

Twenty-Three Year 5⅛% Debentures

Dated August 1, 1957 — Due August 1, 1980

Price 102.387% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

A. C. ALLYN AND COMPANY INCORPORATED — BEAR, STEARNS & CO. — DICK & MERLE-SMITH

EQUITABLE SECURITIES CORPORATION — HALLGARTEN & CO.

LADENBURG, THALMANN & CO. — L. F. ROTHSCHILD & CO.

SALOMON BROS. & HUTZLER — SCHOELLKOPF, HUTTON & POMEROY, INC.

SHIELDS & COMPANY — WERTHEIM & CO.

AMERICAN SECURITIES CORPORATION — A. G. BECKER & CO. INCORPORATED

HAYDEN, STONE & CO. — BACHE & CO. — BAKER, WEEKS & CO.

BAXTER & COMPANY — BLAIR & CO. INCORPORATED — R. S. DICKSON & COMPANY INCORPORATED

GREGORY & SONS — REYNOLDS & CO. — RITER & CO.

SHEARSON, HAMMILL & CO. — BALL, BURGE & KRAUS — COURTS & CO.

SHELBY CULLOM DAVIS & CO. — H. HENTZ & CO. — HIRSCH & CO.

McDONNELL & CO. — WM. E. POLLOCK & CO., INC. — VAN ALSTYNE, NOEL & CO.

August 21, 1957.

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From Washington Ahead of the News

By CARLISLE BARGERON

Our politicians have cried "wolf" so many times in regard to international affairs that there is now a serious question as to whether they would be believed if we were really on the brink of war.

Carlisle Bargeron

We have the current spectacle of President Eisenhower, Secretary of State Dulles and Admiral Radford importuning the Congress that if they don't restore at least some of the foreign aid funds the peace of the world is threatened. You read in the headlines that this is being done, that these men have dropped everything else, that Secretary Dulles was hurried back here from Europe because the situation is so grave, you read the scoldings of Congress on the part of internationalist editors saying the Congress has gone completely crazy—then you see photographs of the President, the State Secretary and Admiral Radford with Congressional leaders and they are all laughing and happy.

Now it may be that these leaders after talking about the great crisis which we have approached, agree among themselves that they have got to be stout hearted and must keep a brave face before the public. But the fact is that the public has been alarmed on the question of foreign aid up to the hilt and in this instance, Messrs. Eisenhower, Dulles and Radford are talking to the wind.

Without going into the merits of the subject, the fact that the country is completely fed up on foreign aid is evidenced by the mail which members of Congress receive. I have personally seen these letters in many members' offices. They will get a letter from a constituent asking for a job and such a letter will invariably end up with a request that we quit "throwing away money abroad."

To the best of my knowledge there has been no organized campaign in this direction. Rather the campaign has been organized on the other side. It began shortly after World War II when a committee of 1,000 industrialists, hard-boiled business men, sponsored full page ads in the Eastern newspapers, saying we couldn't live alone, that we were neighbors of the world, that we could not prosper unless other nations prospered. It was the most interesting list of American manufacturers who had got caught with obsolete products on their hands, such as old steam locomotives, old street cars, old machinery of every kind, that I have ever read. To get rid of their stuff these private enterprisers who wish the government would get out of their business and leave them alone, suddenly became humanitarians and global minders.

But it seems that these gentlemen have gradually got rid of their old stock and have lost interest in our great global leadership. They probably still talk in terms of advancing nationalism all over the world, of the savage tribes who are seeking the dignity of men, but they aren't pushing it as hard as they were. On top of this the average American who pays taxes up to the hilt has become increasingly annoyed over what he calls "give-away program," the giving of money to the hottentots in far away countries to build roads and power plants and dams.

The resentment to the foreign aid program has been building up a long time. This year it has reached a crescendo. And Congress is listening to it. The prospects are that all of the alarums sounded by the big brass will be of little avail. If Mr. Eisenhower gets as much as $250,000,000 restored to his foreign aid bill he will be lucky.

The Administration realized that it was in trouble on selling a continuation of foreign aid at the outset of this Congress. So it concocted the proposition, advocated for many years by Senator Capehart of Indiana, that it be put on a "business-like, loan basis." The Senator's idea all along was that this would sooner or later stop the give-aways because a nation that failed to meet its obligations could hardly come in for another loan.

The Administration fought him on this until this year they realized it was the only chance to get a foreign aid bill through Congress. Now, it turns out, it is not being able to get the money it wants even on that basis.

There is no need to accuse the members of Congress of being irresponsible. They are being no more so than their constituents.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE—

55,000 Units

SUPER FOOD SERVICES, INC.

Each unit consisting of 1 share of $1 par value Class A capital stock and 1/2 share of $.01 par value Class B capital stock.

Price—$5.05 per unit

These are speculative securities.

Copies of the Prospectus may be obtained from the undersigned only in States in which the undersigned is qualified to act as a dealer in securities and in which the Prospectus may legally be distributed.

Wm. H. Tegtmeyer & Co.

39 S. La Salle St. Chicago 3, Ill.

Phone FInancial 6-2363

Carolina Natural Gas Securities Offered

A group of investment bankers, headed by Cruttenden, Podesta & Co. and Odess, Martin & Herzberg, Inc. today (Aug. 22) is publicly offering following securities of the Carolina Natural Gas Corp.: $1,600,000 of first mortgage 6% bonds, 1957 series, due Aug. 1, 1982; $800,000 of 7% sinking fund subordinated debentures due Aug. 1, 1977; and 112,000 shares of common stock (par $1).

The offering is made in units, each consisting of $100 principal amount of bonds, $50 principal amount of debentures and seven shares of stock. They are priced at $164 per unit, plus accrued interest from Aug. 1, 1957.

The principal business of Carolina Natural Gas Co. has been the distribution, through a wholly-owned subsidiary, Piedmont Gas Co., a North Carolina company, a propane-air gas in six towns in North Carolina. Piedmont is about to be merged with Carolina Natural.

The net proceeds of this financing will be applied to the construction of a natural gas transmission line in North Carolina, the reconstruction of the presently owned gas distribution systems and the construction of new gas distribution systems, which, together with extensions of and additions to the present system, is estimated to cost $3,059,000.

Cooperatives Banks Offer Debentures

The 13 Banks of Cooperatives offered publicly yesterday (Aug. 21) $62,000,000 of six-months consolidated collateral trust debentures. They are being sold by their fiscal agent, John T. Knox, with the assistance of a nationwide group of security dealers.

The debentures are being offered at par and bear interest at 4½% per annum. Interest is payable with the principal at maturity. They are dated Sept. 3, 1957, and will mature March 3, 1958.

Proceeds from the sale of these consolidated debentures will be used to redeem the $33,000,000 of 3⅞% debentures due Sept. 3; to repay short-term borrowings and for lending operations.

Jonathan Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald R. Gettemy and Harvey Sterman have become affiliated with Jonathan & Co., 6399 Wilshire Boulevard.

Four With Revel Miller

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Carl E. Hansen, Keiichi K. Ishigami, Cecil C. Russell and Masami Tsurudome have become connected with Revel Miller & Co., 650 South Spring Street.

With Bennett Gladstone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Sandy G. Edmondson and John J. Goodman, Jr. have joined the staff of Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard.

Joins W. D. Bradford

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Merl K. Deena has become connected with William Douglas Bradford, 639 South Spring Street. Mr. Deena was formerly with Coombs & Co.

First California Installs New Sales Communication System

SAN FRANCISCO, Calif.—Jack Egan, Executive Vice-President and Sales Manager of First California Company, shows off a novel sales communication system. At its San Francisco headquarters, 300 Montgomery Street, the investment house records underwriting messages, analytical information, and private interviews with business executives. After taping on the Ampex (lower right), copies are made on the five Bell & Howell recorders. Fifteen of the company's 34 offices in California and Nevada, equipped with playback machines, then receive tapes of important meetings via air express the following day, thus expediting the forwarding of vital securities information with a personal touch to First California's 130 widely scattered representatives.

Connecticut Brevities

The Russell Manufacturing Co., Middleton, has recently introduced a new ceramic fabric for high temperature insulation. The fabric can be used for temperatures up to 1500 degree Fahrenheit as instrumentation tapes and can be used for leak detection as well as for insulation. The instrumentation tape consists of two stranded wires covered with the reinforced ceramic fiber and is particularly useful for covering pipes carrying metallic or radioactive fluids.

The Hartford Electric Light Co. has sold $15,000,000 of 30-year 5% debentures, 1957 series, due July 1, 1987 through a private placement to seven institutional purchasers. The debentures cannot be refunded with securities having a cost less than the interest cost of the debentures until after five years. Proceeds of the issue will be used to repay bank loans incurred in connection with plant additions which for the year 1957 are estimated at $13,164,000. The company is presently installing an additional generating unit at its Middleton Station at a total estimated cost of $18,000,000, of which $6,500,000 will be spent this year and the balance next year. Upon completion of the new financing the company's long-term debt will account for about 49.4% of the total capitalization.

Construction of the new $2.5 million plant of **Eagle Pencil Co.** in Danbury has commenced and completion is expected by April of next year. The plant will contain about 300,000 square feet of floor space and will include the company's main plant, office headquarters, and laboratory. Eagle, which is one of the world's largest makers of pencils, will move to the new plant from its present location in New York City. Some 75 of the present employees will transfer to Danbury and the remaining 425 employees required for operations will be hired locally.

Perkin-Elmer Corp. of Norwalk has leased and occupied the Sugar Hollow plant of **H. Wibling Tool and Manufacturing Co.** of Danbury under a five-year lease with an option for a five-year renewal. The modern 14,000 square foot machine shop will be used by Perkin-Elmer for its Engineering and Optical Division. Some 50 of Wibling's employees will join Perkin-Elmer and the balance will remain with Wibling. Perkin-Elmer also employs some 1,000 workers in five plants in the Norwalk area.

Completion of **The Burndy Corporation's** new 63,000 square foot plant in Milford is scheduled for this fall at a total cost of about $600,000. Also as a part of an overall expansion $2.5 million program Burndy has recently opened a new plant at Scarborough, Canada. The corporation presently employs some 1,500 workers in 12 plants.

The assets of **Enthone, Inc.** of New Haven and its subsidiary, Comco, Inc., have been acquired by American Smelting and Refining Co. in exchange for approximately $1.5 million of stock of American Smelting. Enthone, founded in 1939, manufactures metal finishing chemicals, electroplating equipment and other products. The Enthone plant, office and laboratories occupy some 34,000 square feet of floor space. A total of some 70 persons have been employed at the plant, all of which have been retained by American Smelting.

Primary Markets in

CONNECTICUT SECURITIES

CHAS. W. SCRANTON & CO.

Members New York Stock Exchange

New Haven

New York — REctor 2-9377

Hartford — JAckson 7-2669

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York on Aug. 20 launched a new consumer service for all personal checking accounts through a specially designed envelope to be furnished with future monthly statements.

Copyrighted, the "Reconcil-Velope" offers depositors a distinct convenience in the reconcilement of their monthly statements. A special column is provided for the description and amounts of unpaid checks still outstanding. By subtracting this total from the closing balance shown on the statement, and by adding deposits and other credits made after the close of the period, the customer can quickly and easily verify his current bank balance.

The Bank conducted a market test of the "Reconcil-Velope" over a three-month period to measure depositor reaction to the plan. The response was so favorable that the bank decided to adopt it as a regular monthly service. The "Reconcil-Velope" was mailed to special checking account customers with their monthly statements this week. Regular checking account customers will receive it with their statements after the first of next month.

David W. T. Patterson has been appointed Assistant Vice-President of the International Division of **Chemical Corn Exchange Bank, New York**, it was announced on Aug. 19 by Harold H. Helm, Chairman. Mr. Patterson, who has served as Assistant Manager since 1950, handles the bank's business in Colombia, Panama and Ecuador.

* * *

The American Trust Co., New York elected Harvey L. Schwamm Chairman and Theodore A. Davis, Jr., President and Director. David H. G. Penny, former President, was appointed Vice-Chairman, a new post.

The Grace National Bank of New York announced on Aug. 21 election of William J. O'Connell as a Vice-President.

* * *

The Central Savings Bank, New York, elected Charles T. Maurer Assistant Vice-President and Manager of the downtown office to replace Carl Cordes, who retired.

* * *

The Board of Trustees of **The Dime Savings Bank of Brooklyn, New York**, announced on Aug. 19 the following appointments:

Robert W. P. Morse, to Vice-President. Mr. Morse entered the employ of The Dime in February 1933 and has served in various capacities in the Accounting and Mortgage Department. In September 1952, he was appointed Assistant Treasurer; in July 1954, Assistant Vice-President.

Newly named Assistant Vice-Presidents are Charles H. Miller and Karl A. Stad. Mr. Miller and Mr. Stad have been Deputy Comptrollers since July 1954.

Ralph E. Erb was promoted from the office of Assistant Comptroller to that of Deputy Comptroller.

Herbert C. Losee, Chief Supervisor, attained officer rank by being named an Assistant Comptroller.

* * *

George Auslander, Chairman of the **Valley Stream National Bank & Trust Company, Valley Stream, N. Y.**, announced the election of W. Kenneth Regan as Executive Vice-President. Mr. Regan has been with the bank almost 20 years and has been a Director since 1949.

* * *

Harold J. Marshall, President of **National Bank of Westchester, New Rochelle, N. Y.**, announced on Aug. 14 the appointment of Roland W. Mahood as Vice-President and Investment Officer for that institution. Mr. Mahood will be Trust Investment Officer for the bank and take up his new duties on Sept. 3.

Long associated with investment work, Mr. Mahood began his banking career with the **Lawyers Trust Company of New York**. He also served with the former **Bank of the Manhattan Company**, and the **Marine Midland Trust Company of New York**. In the latter bank he held the position of Trust Investment Officer. Mr. Mahood has wide experience in Personal Trust, Pension Funds and Discretionary Common Trust Funds, as well as Investment Management Accounts.

* * *

Directors of the **New Haven Bank, New Haven, Conn.**, and the **First National Bank & Trust Co., New Haven Conn.**, have approved plans for a merger. The name of the new bank will be the **First-New Haven National Bank**. Total assets will be approximately $160,000,000. The plan must be approved by the stockholders and the Comptroller of the Currency.

* * *

At a meeting of the Board of Managers of **The Montclair Savings Bank, Montclair, N. J.**, held on Aug. 13, Mr. Angelo J. Spinelli was elected President to succeed the late Mr. T. Philip Re_tin_er, who passed away July 25.

Mr. Spinelli has been employed by The Montclair Savings Bank since June, 1918 and has served in all departments since that time. He was elected Assistant Secretary in 1935, and Secretary in 1943. In 1948 Mr. Spinelli was elected Vice-President and also a member of the Board of Managers.

* * *

The Ridgefield National Bank, Ridgefield, N. J., increased its common capital stock from $450,000 to $550,000 by the sale of new stock effective Aug. 9. (Number of shares outstanding — 27,500 shares, par value $20.)

* * *

By the sale of new stock the **National Bank of Albany Park in Chicago, Ill.**, increased its common capital stock from $500,000 to $625,000 effective Aug. 7. (Number of shares outstanding—50,000 shares, par value $12.50.)

* * *

The common capital stock of the **Manufacturers National Bank of Detroit, Mich.**, was increased from $10,962,500 to $12,528,500 by the sale of new stock, effective Aug. 2. (Number of shares outstanding — 1,252,850 shares, par value $10.)

* * *

J. M. Palframan joined the **First National Bank of Miami, Fla.** as Vice-President in the commercial loan division. He was a former Vice-President of **Peoples First National Bank & Trust Co. in Pittsburgh.**

* * *

Leon G. Harmon has been named President of the **First National Bank of Riverton, Wyo.**

Mr. Harmon joined the First National Bank of Riverton in July, 1951, as Assistant Cashier, and in the past six years has served as Cashier, Vice-President and Executive Vice-President.

Starting his banking career in 1946 with the **Planter's State Bank in Salina, Kan.**, Mr. Harmon entered the National Bank Department in 1948 as an Assistant National Bank Examiner, headquartered in Denver, Colo.

In July, 1949, Mr. Harmon joined the **Casper National Bank in Casper, Wyo.**, as a lending officer in the Mortgage Loan Department, and in 1951 became a staff member of the First National Bank of Riverton.

As new President of the First National Bank of Riverton, Mr. Harmon succeeds R. W. Finkbiner, who is now the President of the **First National Bank of Laramie.**

* * *

Ninety-nine percent of the 900,000 new shares of capital stock of the **Bank of Montreal, Montreal, Canada**, offered to shareholders last May at $30 per share in the ratio of one new share for each five held, have now been subscribed, it was announced on Aug. 14 by Gordon R. Ball, President. Expiration date was Aug. 9.

The number of shares subscribed exceeded the very satisfactory response to the offer of similar amount of the bank's shares in 1954, Mr. Ball said.

Because of Bank Act provisions, the offer did nat include fractions of shares. These, plus a small number of unsubscribed shares, will be sold to an underwriting group headed by A. E. Ames & Co. Limited; McLeod, Young, Weir & Company Limited; and Greenshields & Co. Incorporated.

As in the case of the 1954 offering, the new issue of the Bank of Montreal is the largest of any post-war offering by a bank in Canada.

On completion of the financing, $9,000,000 (Canadian) will be added to the bank's paid-up capital, bringing it to $54,000,000, the highest for any Canadian bank. The rest account will be enlarged by $18,000,000, bringing the reserve to $113,000,000. The original notice of this offering was given in the May 9 issue of the "Chronicle" on page 2170.

* * *

At a recent **Bank of Hawaii, Honolulu, Hawaii**, stockholders' meeting, stockholders authorized the Board of Directors to issue 110,000 additional shares ($20 par value) of bank stock which will increase the number of shares outstanding from 165,000 to 275,000, and increase the bank's capital stock from $3,300,000 to $5,500,000.

The board was authorized and directed by the stockholders to declare a stock dividend of 55,000 shares of common stock and to make a subscription offering of the remaining 55,000 shares of common stock at the subscription price of $37.50 per share to the holders of the 165,000 shares of common stock presently issued and outstanding. These matters will be presented for action at the next Board of Directors meeting.

Mr. R. A. Peterson, President, said that it is the intention of the Bank of Hawaii to pay a $2.10 yearly dividend on the new capital structure of 275,000 shares.

* * *

Dr. Katsumi Kometani was elected Director of the **American Security Bank, Honolulu, Hawaii.** He is replacing Peter A. Lee, former Executive Vice-President.

Chas. P. White Opens Own Investment Co.

DETROIT, Mich. — Charles P. White has formed Charles P. White Company to conduct a securities business from offices in the Penobscot Building. Mr. White was formerly a partner in Carr & Company.

New Feibleman Branch

LAUREL, Miss.—T. J. Feibleman & Company has opened a branch office at 518 Central Avenue under the management of J. L. Cody. Mr. Cody formerly conducted his own investment business in Laurel.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

NEW ISSUE

Carolina Natural Gas Corporation

$1,600,000

First Mortgage 6% Bonds, 1957 Series

Dated August 1, 1957 Due August 1, 1982

$800,000

7% Sinking Fund Subordinated Debentures

Dated August 1, 1957 Due August 1, 1977

112,000 Shares Common Stock

($1 Par Value)

The First Mortgage Bonds, Debentures and Common Stock will be offered in Units; each Unit will consist of $100 principal amount First Mortgage Bond, $50 principal amount Debenture and 7 shares of Common Stock. The Units will be represented by First Mortgage Bonds which will be issued directly to the purchasers of such Units and which will bear an endorsement reciting in substance that the Debentures and shares of Common Stock included in such Units have been deposited with Harris Trust and Savings Bank, Chicago, Illinois, as Depositary, and will be held by such Depositary until February 1, 1958, or if the First Mortgage Bonds are redeemed or otherwise paid prior thereto, to the date of such redemption or payment. Until such date the securities included in the Units will be transferable only as Units and not separately.

Price $164 Per Unit

Plus accrued interest from August 1, 1957

The Prospectus may be obtained in any State in which this announcement is circulated from such of the Underwriters as may legally offer the securities in such State.

Cruttenden, Podesta & Co. — Odess, Martin & Herzberg Incorporated

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August 22, 1957

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Federal Reserve Bank of St. Louis

The Crucially Needed Reform Of the Tax Structure

By HARRY J. RUDICK*
Attorney, Lord, Day & Lord

Tax authority contends that equally harmful as the heaviness of the tax burden is the growing public disrespect and resentment toward the law. Cites preferences with which present statute is "riddled." Maintains large scale reform should await Congress' willingness to accept a $3 to $4 billion revenue cut; at which time the following steps should be taken: (1) increase allowable exemptions from $600 to $700, but only against first $4,000 of taxable income; (2) reduce all brackets—upper more proportionately—until a top of 60% on $200,000 is reached; (3) eliminate the social exclusions and deductions; (4) cut corporate rates; (5) reduce gift and death duties; and (6) eliminate selective excise taxes, except on liquor, tobacco, and gasoline. Discusses, with recommendations, corporate and individual provisions.

To my mind, the most urgent item on the Congressional fiscal policy agenda should be reform of the tax structure. The effectiveness of our tax system depends to a very large extent on the willingness of taxpayers to submit to it; and unless we take steps to nip in the bud the burgeoning seed of disrespect and resentment towards the tax law, the system may deteriorate seriously if not break down. It is not merely that the burden is extraordinarily heavy. People will bear a huge burden if they believe it is being distributed fairly, but they will balk if the notion becomes widespread that some are enjoying privileges not available to the many. More and more people are coming to realize that persons with equal incomes do not invariably pay equal taxes. To take a concrete example, under the present income tax law, an inventor of toys may reap the financial rewards of his ingenuity at the favorable capital gain rate (i.e., he pays tax on only half of such income and in no case may the tax exceed 25% thereof), while a writer of books for juveniles who may give just as much pleasure and instruction to children is required to pay at the ordinary rates of tax. One can hardly blame the writer if in the face of this unequal treatment he takes advantage of every avoidance opportunity, intentional or unintentional, which the law allows; and even if he cheats a little, he probably squares his conscience by reflecting on the fact that the law unfairly favors someone else over him. Laws have to make sense and if they do not, people will tend to disregard them. I can see no persuasive reason for preferring taxpayers whose brain children consist of patentable ideas over taxpayers whose minds produce unpatentable ideas. Nor do I see any good reason for preferred tax treatment to people whose income stems from property as distinguished from those whose income stems from personal effort. By and large, taxpayers who inherit or are given property fare better under the present tax law than those who earn it.

Harry J. Rudick

Laws Riddled With Preferences

Our tax laws are riddled with preferences similar to those I have described; preferences and distinctions based not on discernible economic differences but on formal variations and often stemming from wholly specious reasons. An example of the latter is the allowance of percentage depletion on gas, oil and other mineral deposits beyond the cost of the property. Referring specifically to oil and gas, I do not see how anyone can seriously believe that corporations and individuals will stop exploring for oil if we limit depletion to investment, continuing, however, to allow percentage depletion up to that point and continuing to allow the current chargeoff of intangible drilling costs.[1] Because of long-established precedent and because of the large number of states with oil, gas and other mineral deposits, it is too much to hope that this intended but unjustified subsidy will be taken away. Probably the only practical method of correcting the situation will be by giving some equalizing allowance to recipients of other forms of income; just as we solved the problem of equalizing the tax burdens of married couples in the so-called community property states with married couples in the other states by adopting split income. Incidentally, split income also solved the problem of equalizing the tax burdens of married couples where one spouse supplied the bulk of the family income with the burdens of couples where both spouses contributed substantially.

"Erosion of the Tax Base"

Whether explicitly or tacitly, the factor which serves as justification for what has been called the "erosion of the tax base" and the gimmicks in the tax law which grant certain groups favorable tax treatment is the extremely high rates. The upper reaches of the income tax brackets provide a relatively insignificant amount of revenue. Yet they cause the trouble. (Many writers have pointed out that because of the permissible exclusion of certain types of income and the allowance of special deductions, most high bracket taxpayers — except those who derive the bulk of their income from services — pay a far smaller percentage of their income in tax than the rate schedule would imply.[2]) If we assume that it is possible to transmute ordinary income into capital gain and if the difference between the rate applicable to capital gains and that applicable to ordinary income is as high as 66%—as it is under the current income tax law—the discrimination is much greater and is far more resented than if the differential were only half that percentage. If we must have discriminations, and we will have to have some for the sake of expediency, let them at least be as small as possible. We need not make a foolish fetish of tax equality and carry it to extremes—the tax law cannot redress all the injustice of the world. We have to balance equity against administrative cost and convenience. But, as I have said, if the differential in tax burden is minimal or at least relatively small, there will be less resentment and less flouting of the law.

It is probably impracticable to cut the rates for upper bracket taxpayers without at the same time doing something for lower bracket taxpayers; and to cut the rates for lower bracket taxpayers results in very large losses of revenue. Therefore, I believe that Congress should not undertake any large-scale reform of the tax structure until it is prepared to accept a truly significant revenue cut, at least three and preferably four billion dollars. At that time—and I submit that the timing should depend not merely upon budgetary or other fiscal considerations but on the growing peril to the tax system—I would do the following **simultaneously:**

(1) Increase the allowable exemptions from $600 to $700 but allow all exemptions only against the first $4,000 of taxable income. ($8,000 for married couples filing joint returns.)

(2) Reduce the tax on the first $2,000 of taxable income to 18%; reduce the remaining brackets—the upper brackets being reduced more proportionately than the lower ones—until a top bracket of 60% is reached at, say, $200,000. ($400,000 for married couples.)

(3) To compensate for the reduction in rates, eliminate the special exclusions and deductions and other preferential provisions (including the dividend credit) now given to certain taxpayers except in the relatively few cases where the privilege can clearly be justified by offsetting savings in administrative trouble and expense or by overwhelmingly popular consensus.

(4) Cut the present corporate rate of 52% to 50% and eliminate the preferential rate applicable to the first $25,000 of a corporation's taxable income. At the same time remit completely the tax on any closely-owned corporation whose shareholders agree to be taxed on their proportionate shares of the corporation's profits. Assuming revision of the rates as proposed above, the tax burden on small corporations owned by less than wealthy stockholders would be materially reduced.

(5) The rates of the transfer taxes (gift and death duties), particularly the higher brackets, should be materially reduced but the yield of the tax should be maintained and even increased by tightening the structure of the transfer taxes to prevent the very significant avoidance which is presently possible.

(6) Except for the taxes on liquor, tobacco and gasoline, eliminate the present selective excise taxes which now have nothing to support them except fortuitous precedent and administrative experience and substitute a general excise tax which would produce approximately the same amount of revenue.

Detailed Proposals

(1) **Exemptions.** In view of the decline in the value of the dollar, the exemptions allowable under the present law are for most taxpayers the lowest ever and should be increased. However, I see no need or justification for an additional exemption for taxpayers with large incomes who are over age 65 and for wealthy blind persons. The announced basis for the additional exemptions allowed such taxpayers is that they have increased living expenses. The premise is questionable. But even if it were correct, an elderly or blind taxpayer with $100,000 of income certainly does not need an extra exemption. In fact, since exemptions presumably reflect an estimate of the bare essentials of living costs, I see no need to extend them to any but the lowest brackets. Accordingly, I would allow exemptions as an offset only against the first $4,000 ($8,000 for married couples) of taxable income (before reduction by exemptions). This would materially cut the revenue cost of increasing the exemption. Whatever the gross cost, the net cost would be less because part of the remitted tax would flow into consumption and part of that flow would come back into taxable income.

(2) **The Rate Structure.** Under the present law the ratio of total tax to total net income, if we ignore the moderating effect of exemptions and the standard deduction—this effect gradually lessens until it becomes minuscule in the higher brackets — ranges from a minimum of 20% to a maximum of 87%. The accompanying Table shows for certain taxable levels the marginal rates and the average rates. Anyone familiar with the situation of high bracket taxpayers who derive virtually all of their income from services will know that after paying their income taxes[3] and their living expenses—which inevitably increase as income increases—the amount left is too small to permit the accumulation of significant amounts of capital. The result is that fewer and fewer individuals go into business for themselves — at least businesses where a substantial amount of capital is required. When rates from 50% to 87% are imposed on incomes between $32,000 and $200,000 (for married couples), the point of diminishing returns has probably been passed as to such taxpayers; not so much because they quit work to loaf—I do not believe that there has as yet been a sufficient slackening of effort as a result of the extremely high rates to have any pronounced effect on economic activity—but because the persons in these brackets constitute to an important extent the driving force of the economy. By this I mean that the individuals in this group—at least those whose principal source of income is personal effort—supply to a far greater degree than average the imagination, industry and initiative which are essential to the maintenance of a stable and growing economy. They are the ones who, if they could, would be prepared to start new ventures and supply risk capital; and if they are unable to accumulate capital out of their earnings,[4] they are prevented from striking out on their own or otherwise utilizing their talents fully. In either case, the economy is the loser. Moreover, the severity of the upper bracket rates serves as justification for the increasing number of "relief" provisions which have been enacted to temper this severity. If these "relief" provisions as well as the exclusion of certain items from gross income and the allowance of certain special deductions were eliminated, I believe that the reduction of rates for high income taxpayers would be offset to a very large extent. In any case, the income tax would be a fairer tax and even if some differentials were retained, as they will have to be because of administrative expediency or some other factor, the disparity would at least not be as great. Under the next heading, I shall refer to some of the preferential provisions which I think should be repealed.

Taxable Income	Married Couples Marginal Rate	Married Couples Average Rate	Unmarried Individual Marginal Rate	Unmarried Individual Average Rate
$16,000	30%	25%	47%	33%
28,000	43	30	62	43
52,000	59	41	75	54
76,000	65	48	81	62
100,000	72	54	87	67
300,000	89	75	91	82

NOTE—The highest marginal rate is 91%; the highest average rate is 87%.

(3) **Provisions Which Reduce the Tax Base or Give Other Preferential Treatment.**

The provisions which give preferential treatment to certain groups of taxpayers or certain types of income are too numerous to list. The following will serve as illustrations:

(a) To begin with an example which affects low bracket as well as high bracket taxpayers, I see no compelling reason to exclude sick pay (it is now excluded to the extent of $100 a week) from gross income. Apart from extraordinary medical expenses which are allowed as a deduction anyway, a person who is confined to his home ordinarily incurs less expense than one who is on the job, if only by the cost of getting to work. Why a working taxpayer should pay more tax than a nonworking one is beyond me. The present law provides an incentive for anyone who receives his full pay even though he does not show up for work, to be sick and stay home.

(b) Assuming a much more gradual increase in the rates and the suggested top rate of 60%, favorable capital gain treatment should no longer be extended to (1) recipients of "restricted" stock options, (2) recipients of pensions and profit-sharing distributions (now allowed under certain circumstances), (3) inventors, (4) owners of certain depreciable property, (5) breeders of cattle and other live stock, (6) owners of timber and coal, (7) transferors of certain oil payments, (8) owners of certain real property subdivided for sale, (9) amounts received on the cancellation of a lease or distributors agreement, and (10) owners of unharvested crops (now allowed under certain conditions).

Here let me say that I am not in favor of completely abolishing the favorable treatment of capital gains. The appropriate income tax treatment of capital gains has been a most vexing and controversial problem. The chief difficulties arise because (1) a nominal capital gain may not represent a true capital gain but rather a reflection of the decline in the value of the dollar and (2) because of the fact that a capital gain may have accrued over a long period of time and if the entire appreciation is taxed in the year of realization, the resultant tax will ordinarily be very much larger than if the increment had been realized ratably and taxed annually over the holding period. The first source of difficulty could be overcome by providing that the cost (or other basis) of the property which produces a capital gain should be adjusted to reflect changes in the value of money during the holding period. But the second difficulty could only be overcome by some system of averaging and I am not in favor of averaging as a general proposition for two reasons: first, because it would tend to produce

*Statement of Mr. Rudick before the Joint Economic Committee, Subcommittee on Fiscal Policy, U. S. Congress.

1 At the time (1926) percentage depletion beyond investment was first permitted, the rates of tax were far lower—ranging from a minimum of 1½% to a maximum of 25%—so that the amount of the subsidy was tremendously less than it has since become.

2 See, for example, the papers submitted to this Subcommittee by Blum, Cary, Atkeson, Groves and Paul in 1955 and published in *Federal Tax Policy for Economic Growth and Stability* (papers submitted by panelists appearing before the Subcommittee on Tax Policy of the Joint Committee on the Economic Report, 84th Congress, First Session, Nov. 9, 1955, pp. 251-313).

3 In many states the Federal impost is supplemented by local income taxes. The effective rate of local income taxes will be less than the nominal rate because of the fact that the local income tax is deductible from gross income in computing the Federal tax.

4 It is evident that equity capital is being supplied to a growing extent by institutional investors and that the ratio of private investment to total investment is declining. Factors Affecting the Stock Market, Report of the Senate Committee on Banking and Currency, Sen. Rep. No. 1280, 84th Cong., 1st Sess. 95, Table 4 (1955).

undesirable economic effects (reduced tax collections in an inflationary period and increased tax collections in a deflationary period) and second, because the administrative difficulties of a general averaging system would be too great to compensate for the possible advantages.

I think the present method of requiring the inclusion in taxable income of one-half of a capital gain is about as good an approximation of tax equity as we can practicably work out for capital gains, assuming, of course, that the definition of capital gain is much more restricted than it now is. If the rates of tax were adjusted as I have suggested (with a top bracket of 60%), it would be possible to eliminate the alternative computation now provided for. Then, for the highest bracket taxpayers, the effective rate of tax on capital gains would be 30% as against the present maximum of 25%. I would also favor requiring a holding period of at least one year as compared to the present six months.

(c) As previously indicated the allowance of depletion beyond cost, of gas, oil and other mineral deposits should be terminated. (At present, such depletion is allowed against even such virtually inexhaustible deposits as clay, stone, etc.)

(d) The exemption of income from investment in state and municipal bonds should be taken away, but only as to future issues of such bonds. At the present time, an appealing case can be made for the continued exemption of the interest on state and municipal bonds because of the compelling need for local improvements, principally schools. The financing cost of such improvements would be increased if the exemption is taken away. However, in the long run, it is difficult to justify the immunity. It materially reduces Federal tax revenue and thus prevents lower rates than might otherwise be possible. It arouses a sense of inequity in taxpayers who cannot take advantage of the immunity. To my mind, these factors certainly justify the higher borrowing costs which local governments would have to pay.

(e) The immunity from tax (except as capital gain) of certain non-liquidating dividend distributions by corporations which have no "earnings or profits" should be repealed.

(f) The investment factor of life insurance should not enjoy complete immunity; and pension funds and profit sharing plans should be made to pay some tax on their investment income. The present law discriminates against those who cannot or do not take out life insurance with investment features and against taxpayers who are not fortunate enough to be participants in pension plans.

(4) **Corporation Taxes.** I would not reduce the corporate rate except for a token percentage. In other words, I would like almost all of the available area of tax reduction to go to individuals rather than to corporations. I believe that for large publicly-owned corporations, the corporation income tax has become imbedded in the price structure. Management is interested in how much money will be available for stockholders after taxes and they will, so far as they can, fix their prices at levels which will produce a desirable return for their shareholders. I think that even for closely - owned corporations the corporate income tax has generally become a component of cost and that most of the burden is passed on to consumers. Moreover, a high corporate tax has some beneficial effects in that it tends to induce economic activity which might otherwise not be undertaken. At a 52% (or 50%) rate, certain expenditures become prudent which might otherwise be imprudent. A deductible dollar costs only 48 cents and tax-oriented business judgment is an inevitable consequence of this disparity. If a dollar cost only 48 cents, that frequently makes it wise to do things and take risks which perhaps would not be undertaken if the full dollar cost were incurred. I used to think that this was bad. However, I have come around to the view that a rate of corporate tax as high as 50% is not necessarily bad since it tends to stimulate such activities as sales promotion, research and new product development and these activities in turn generate jobs and income. I would guess that the resulting stimulation of economic activity more than compensates for the reduction in consumption which results from increased prices or lower dividends.

Much is heard about the plight of so-called small corporations. So far, no one seems to have worked out a universal definition of a small corporation. A small automobile corporation has to be many times as large as a small retail store. At any rate, the present preferential rate of 30% applicable to the first $25,000 of taxable income has not been particularly helpful to the formation and survival of small businesses. Yet proposals have been and still are being made which would graduate the corporate tax still further. I do not believe that such action would do much towards stimulating the growth and survival of small corporations. If the corporate rate were graduated still further, large and medium size businesses would simply subdivide themselves to obtain the benefit of the lower rates, and I am sure it will be found extremely difficult to draft workable laws to prevent such subdivision. I think the problem can be approached more effectively by having a single corporate rate and allowing any closely-owned corporation to be exempt from all corporate income tax if the shareholders consent to report as taxable income their proportionate shares of the corporation's profit, that is, as if the corporation were a partnership. This will mean that those stockholders who are wealthy will pay a higher tax on their share of the corporate profits, while those who are in low brackets will pay only a modest amount. Any dividends paid by such a corporation to the electing shareholders would be tax free. I would further provide that any losses sustained by such shareholders should, to the extent of their investment (including reinvested profits), be allowed as an ordinary deduction rather than as a capital loss.

(5) **Estate and Gift Taxes.** As in the case of the income tax, the estate and gift tax rates go up to quasi-confiscatory levels. However, there are so many available means of avoiding or minimizing these taxes that the actual yield of the taxes is only a fraction of what one might expect from the scale of rates.[5] There is not much sense in having extremely heavy rates if only the extremely naive pay them.

By judicious management, very large amounts can be transferred to one's heirs without the payment of any gift or estate tax. Unfortunately, not all persons with estates large enough to be in the range of tax are so situated as to be able to take advantage of the avoidance possibilities. I suggest that as in the case of the income tax, the rates be reduced to more realistic levels and that the avenues of avoidance be closed. If this were done, I think the yield of the tax could be appreciably increased. Among the avoidance prevention methods that should be studied are:

(a) The possibility of susbtituting a tax on a graduated and cumulative basis against what each donee or heir receives regardless of when and from whom.[6]

(b) An integration of the gift and estate taxes in a single transfer tax so that the tax would be the same whether the owner gives away the property during his lifetime or at his death.[7]

(c) The elimination of the disparate treatment of transfers in trust and outright transfers. (Under the present law, if A gives his property to his son for life, the remainder to his son's children, only one transfer tax is payable; whereas if A gives the property outright to his son who in turn leaves property to his children, two taxes are payable.)

(d) Revision of the too liberal gift tax exclusion provisions.

(e) Limitation of the now unlimited exemption of transfers to private foundations as distinguished from quasi-public institutions not privately administered.

(6) **Excise Taxes.** The taxes on liquor, tobacco and gasoline are traditional and virtually universal. People expect and do not resent them. Moreover, the products taxed create certain general welfare and law enforcement problems which go part way to justify taxing them. However, the other excise taxes, except possibly that on automobiles and except certain taxes which are imposed primarily for regulatory reasons like the taxes on firearms and narcotics, cannot be justified on any other ground than expediency, that is, the fact that the products were once taxed and it is easy to go on taxing them. Many of the items, e.g., watches and luggage, were originally taxed not so much for revenue as to deter the use of materials which were scarce and which were vitally needed for defense and war purposes. Nevertheless such items continue to be taxed even though the scarcity of material no longer exists.

With the exception of the taxes mentioned, I would like to see all of the excises replaced with a general excise tax if it is concluded that one is needed for revenue purposes. To avoid overlapping of local sales taxes, I would impose the tax at the manufacturer's level and to avoid pyramiding, I would make "value added" the measure of tax.

5 The estate tax rates range from 3% to 77% of the taxable estate. A 30% rate is reached at $100,000. The gift tax rates range from 2¼% to 57¾%.

6 Rudick, *What Alternative to the Estate and Gift Tax?* 38 Cal. L. Rev. 150 (1950); Rudick, *A Proposal for an Acquisitions Tax,* 1 Tax L. Rev. 25 (1945).

7 *Federal Estate and Gift Taxes,* A Proposal for Integration and for Correlation with the Income Tax, A Joint Study prepared by an Advisory Committee to the Treasury Department and by the Office of the Tax Legislative Counsel, with the cooperation of the Division of Tax Research and the Bureau of Internal Revenue (U. S. Government Printing Office 1947).

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

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Alfred F. Tisch

Our good friend, Lou Walker of National Quotation Bureau, has again contracted for a half page advertisement in our annual convention supplement. We can always rely on Lou and we all appreciate his handsome support.

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(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Melvin J. Gardner has been added to the staff of J. Barth & Co., 404 Montgomery Street, members of the Pacific Coast Stock Exchange.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Milton G. Butt has become connected with Harris, Upham & Co., 232 Montgomery Street. He was formerly with Reynolds & Co.

Joins Holt & Collins

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Claude F. Jones has joined the staff of Holt & Collins, Russ Bldg., members of the Pacific Coast Stock Exchange.

This announcement is neither an offer to sell, nor a solicitation of offers to buy, any of these securities. The offering is made only by the Prospectus.

New Issue

August 20, 1957

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THE CELOTEX CORPORATION

Common Stock
($1 par value)

Price $31.50 per Share

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THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks hit at least a temporary bottom when the industrials worked to the 475 area this week and, more or less in line with expectations a technical rally finally showed up.

* * *

For half a dozen weeks without letup the list has been sagging with little in the way of any recovery so, to an extent, the rally was overdue. When it did show, it was fairly vigorous but without yet changing anything basic or, for that matter, doing much to lift the heavy pall of pessimism hanging over the Street.

The Attrition Drastic

The attrition was enough to cut the industrial average back about two-thirds of the way from the February-July recovery which was enough of a retreat to raise serious doubts that any important progress could be made without a more clearcut testing of the 455-60 area which was reached early this year.

* * *

Rails were virtually friendless, whatever elation that stemmed from the freight rate increase was well tempered by the carriers' cry that it was too little and too late. So the rail average went along supinely with the gyrations of the senior average. In the process, however, the rail index came within a point of testing its February low.

Varying Oil Influences

Oils had varying conditions to face and, while they went along with the seesaws of the average pretty much, they were more likely to be mixed at any one time. The "international" companies were depressed a bit by ominous developments in Syria, and hints of more domestic production, including a raise in the allowable production in Texas next month, indicated that the oversupply of the moment will persist. So there was hardly anything to cheer about for the large domestic operators.

* * *

Airlines, no strangers to the new-lows lists, were far from being a bright spot in the market. The normally poor first quarter earnings showed no pickup in the second quarter and denial of an emergency fare boost added little incentive for vigorous market action. In fact, a couple of dividend rates were in jeopardy unless better earnings came along quickly, which was part of the reason some of the lines showed yields in excess of 5% without appealing to any buyers.

Attention on Neglected Issues

Some of the sections neglected for many months were getting a bit more attention because of the doldrums, chiefly because they hadn't gone to any excessive lengths and in some cases improved fortunes seemed to be in sight. Twentieth Century-Fox, for one, has been showing better results and earnings of at least a dollar a share over the $2.34 earned in 1956 were being projected for the company.

* * *

Electric & Musical Industries at the low priced end was no fireball but did manage to stand its ground well just a shade below the 1957 high despite ragged markets. It owns 96% of Capitol Records and the latter doubled its profits in the 1956-57 fiscal year.

High-Earning Tobaccos

Tobacco shares have been unpopular ever since the recurrent waves of cancer scares started, making them the high return items in the list. Despite all the hubbub, however, both Reynolds and American have been able to boost profits consistently and both are being projected to results a dollar or more better than the 1956 showings. In fact, expectations are that Reynolds this year will show per-share profit covering the dividend twice over, which makes the company something of a candidate for a better dividend in time. American's current dividend rate is also well covered by anticipated earnings as it was in the last couple of years.

* * *

Western Pacific is in good position to show superior earnings this year over last, when they dropped discouragingly. The stock, as a result, has been available this year at a markdown of a couple dozen points under last year's high, making it one of the deflated issues around. The stock numbers less than 560,000 shares so a recovery this year could make it volatile. Some estimates are that this year's results could double the slightly better than $4 reported last year.

* * *

Better earnings in due course are also anticipated for Burroughs in the office equipment group where most of the interest has centered for long only on International Business Machines. The bare figures reported by Burroughs for this year will be somewhat misleading since the company is spending much more on plant and equipment. But once these expenditures are covered, and this should be completed this year, earnings could jump since the company will have far more plant space going into 1958. It was already listed in some quarters as a 1958 dividend-increase candidate.

Interesting Rail Issues

Baltimore & Ohio is something of an exception in the rails, hovering much closer to its 1957 peak than to its low. Some estimates of the 1957 profit run as high as $12 a share before funds, leaving net after funds of around 2½ to 3-times its dividend requirement. This, obviously, leaves room for better stockholder consideration than the $2 currently listed as its dividend rate.

* * *

Chesapeake & Ohio is another rail that has been doing well, holding profits stable despite higher costs. Now with the rate boost helping to offset the higher costs, C. & O.'s 1957 results are expected to run to double the current $4 dividend rate. The increase in coal use has been no handicap to the largest coal hauler in the rail section. Any improvement in its auto transportation, in which picture General Motors is a major customer, could add that much more to the picture and make C. & O. a dividend increase candidate for next year.

A Well-Acting Automation Stock

Robertshaw-Fulton Controls is another case where the selling in the market has been ignored and it has been holding not too far below its year's peak. The increasing reliance on automation to offset ever higher labor costs, plus its increasingly important participation in controls for aircrafts and guided missiles give it a double appeal. Sales have been growing steadily with earnings following along and a comfortable increase is anticipated for this year again. Here, too, the projected earnings will come to more than double the dividend rate to make an increase, or at least an extra, possible. The company has a record of paying out about two-thirds of earnings in dividends over the years.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

McCormick Branch Opened

CULVER CITY, Calif.—McCormack & Co. has opened a branch office at 10756 Washington Boulevard under the management of Abraham Kaplon.

Steel Industry a Victim of Inflation

By ROGER M. BLOUGH*

Chairman of the Board, United States Steel Corporation

Discussing the charge that industrial prices are responsible for inflation, steel industry leader maintains rising prices are its result, not cause. Cites data showing excess of rise of wage costs, and of price of services, over prices for manufacturing. Asserts no one company or industry or union can alone stop the course of inflation; no single industry sets America's wage pattern; and a cut in steel prices produces no discernible effect on the cost of living. Declares success of Steel Corporation's efforts to the nation as a whole—so burdensome to its financial resources—is directly dependent on the extent of its profits.

Now as I understand it, the main purpose of this investigation is to inquire into the warmed-over theory that "administered prices" in the so-called "concentrated industries" are responsible for inflation. Freely translated I suppose that means: "Is Big Business to blame for it all?" Learned economists have discussed that theory thoroughly, and have—I think—successfully disposed of it; but because of the subterranean implications inherent in the question itself, I should like to be sure that we are all speaking the same language and have the same understanding as to the precise meaning of this economic jargon.

Roger M. Blough

For example, I confess that I have no idea just what an "administered price" is. Perhaps it is merely the opposite of a "haphazard price." But whatever it is, I gather that the one who should have some understanding of the meaning of the term is Dr. Gardiner C. Means who invented it.

So I would like to note, in passing, some of the statements he has made to the committee about "administered prices"—about what they are and what they are not.

Are administered prices monopolistic? Do they exist only in the absence of competition? In short, are they bad?

To the contrary. According to Dr. Means, they lead "to greater efficiency and higher standards of living. . . . They are an essential part of our modern economy. . . . Without them, big, efficient industry would find it almost impossible to operate."

"Administered Prices" Everywhere, Including Macy's Basement

Well, then, are administered prices a phenomenon which is peculiar to big businesses and to "highly concentrated" industries?

Why, not at all, explains Dr. Means. An administered price is merely an established price at which something is offered for sale. In other words, it is the price that you and I pay for virtually everything we buy, wherever we buy it—at the corner drugstore, the neighborhood newsstand, or in Macy's basement. Dr. Means says: "We could not have our big, efficient department stores and mail order houses if prices were not administered."

Then perhaps administered prices are something new—some modern development in our economy?

Wrong again. Dr. Means says: "Even in Adam Smith's day, administered prices were known." His main idea seems to be that administered prices are something which should be studied further in order that their economic effects can be more fully understood. In no event does he regard them as something "that can or should be done away with."

So since Dr. Means' prices prevail generally throughout the business world, and since they are neither bad nor something new, perhaps we should just forget this confusing word "administered" and talk for a while about prices, period. And the question before us then is: Are prices in "concentrated industries" responsible for inflation?

Is Steel a "Concentrated" Industry?

But what are "concentrated industries" and how "concentrated" do they have to be to qualify as potential villains in this cycle of inflation? Throughout the testimony before this committee, I note the almost universal presumption that steel is a classic example of a "highly-concentrated" industry. And frankly, this puzzles me.

The Department of Commerce has prepared for this committee a list of 447 American industries as classified by the Census Bureau, and has shown what percentage of the sales in each of these industries was accounted for by the four largest producers.

Thumbing through that list, I find that 112 of these industries—and remember, I am talking about industries, not just companies . . . 112 of these industries are more concentrated than "steelworks and rolling mills." In fact, one-quarter of all of the industries in America—as shown on this Census Bureau tabulation—are more highly concentrated than steel.

So perhaps—in order to avoid confusion—we'd better forget this term "concentrated industries" for a moment and just ask ourselves if industrial prices are responsible for inflation.

Rising Prices Are the Result, Not the Cause of Inflation

Rising prices do not cause inflation; they are the result of inflation. As a knowing friend of mine put it: "Price increases cause inflation like wet streets cause rain."

In this connection, all of the economists who have appeared here have emphasized the fact that wages and other costs are inextricably linked with prices; and Professor Richard Ruggles of Yale University, in the course of this testimony, has come forward with some factual evidence that can hardly be ignored. **[Ed. Note: See cover page for text of Professor Ruggles' testimony.]**

Addressing himself to the theory that administered prices have enabled producers to take advantage of wage increases by raising prices even more, he says: "For industrial producers as a whole, this form of the argument is easily shown to be not true."

He then turns to official U. S. Government figures to show that since 1951 wage costs have risen about twice as much as prices for manufacturing in total; and that wages have also risen faster than productivity.

Coming next to the Government's "Cost of Living" Index, he shows, through careful analysis,

Continued on page 32

*Opening statement of Mr. Blough before the Subcommittee on Anti-trust and Monopoly of the Senate Committee on the Judiciary, Washington, Aug. 8, 1957.

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Railroad Securities

Boston & Maine Railroad

The finance division of the Interstate Commerce Commission took another long step toward liberalizing its regulation of the nation's railroads in authorizing the Boston & Maine Railroad to offer debentures for its outstanding preferred stock.

Under the proposed plan the B. & M. plans to offer $105 of 50-year income debentures for each share of its present $5 preferred on a purely voluntary basis. This decision by the Commission reverses its earlier order of 1956, when the I. C. C. turned down such an exchange.

When the initial application was filed on Oct. 31, 1955, the road had planned to issue the debentures as of Jan. 1, 1955, and to pay, on an exchange early in 1956, interest accrued in 1955. This amounted to $5.25 a preferred share and was in lieu of preferred dividends earned in 1955. These dividends subsequently were paid quarterly during 1956.

Directors of the Boston & Maine will meet on Sept. 25 to discuss details for the exchange of preferred stock into debentures as authorized by the Commission. The program calls for the issuance of $28,461,510 5% debentures for 271,062 outstanding preferred. In addition, there would be issued $1,355,310 of debenture scrip.

Because of the low level of 1957 earnings, the probable date for the new debentures likely will be Jan. 1, 1958 to make the first interest payment due May 1, 1959. However, it might be noted present earnings are not covering full interest and sinking funds.

The currently outstanding $5 preferred is cumulative to the extent earned, has a contingent sinking fund of ½% a year, is callable at 100 and accrued dividends and is convertible into 1.75 shares of common. The new income debenture 5s would be cumulative to the extent earned. The new debentures also have a contingent sinking fund of ½% a year and are callable at par and accrued interest. The new debentures would be "subordinate in all respects to the rights and privileges" of the present first mortgage and income bonds.

Boston & Maine faces a major refinancing in 1960 when the First 4s, 1960, become due. It is understood that the management of the road already has initiated conversations with some of the large holders looking toward an extension of the maturity.

In reversing its old decision, it is interesting to note the following comment by the Interstate Commerce Commission:

"Applicant's present management, which assumed its duties in 1955, has initiated many activities which promise well for the future, but as yet there has not been a chance to reflect fully the results of such activities in applicant's operating figures. The present Boston & Maine is a vastly improved railroad as compared with that which existed during the 1945-54 period used in computing the average annual amount available for fixed charges. It is now completely dieselized, and before the end of 1957 it will have completely modernized its freight equipment. Steps have been taken to improve the physical condition of the roadbed, track, and structures, which should result in substantial operational savings. Attempts to increase efficiency have been made by the initiation in 1956 of a 3-year program for the application of electronic techniques to applicant's accounting department, which it estimates, will result in additional annual savings of about $300,000 upon completion thereof. Other programs also have been initiated to improve further applicant's operations and reduce unnecessary expenses."

". . . Applicant's revised forecast of future earnings does not appear to be unduly optimistic when considered in the light of the substantial and permanent changes in operations which have already been made, the promise of increased revenues implicit in the growing economy in the territories served by applicant, and other facts now before us. Consummation of the proposed transaction will result in annual tax savings to applicant in direct proportion to the amount of interest paid on the debentures, which can be applied as supplementary to tax savings from accelerated amortization in meeting future heavy equipment maturities or used for other corporate purposes; will improve and strengthen its immediate overall financial position; and will otherwise tend to benefit applicant. For the public, this means a strengthened carrier, better able to meet the transportation needs of the public. If the entire issue of debentures remained outstanding for the 50-year period and interest thereon is paid annually at current tax rates, the savings alone resulting from the proposed exchange would substantially exceed the principal amount of the proposed issue. Furthermore, the increase in capitalization of $1,355,310 which will result from the proposed exchange is a decided improvement over the increase in capitalization of $20,329,650 which would result if the holders of all the outstanding preferred stock exercised their right to convert such shares into common stock . . ."

Proctor, Cook Office

RYE, N. H.—Proctor, Cook & Co. have opened an office on Washington Road with Fred R. Nelson as representative.

Herbert Marks Opens

BROOKLYN, N. Y. — Herbert Marks is engaging in a securities business from offices at 252 East Fifty-Fifth Street.

Investment and Business Advice

By ROGER W. BABSON

Advice for investors and businessmen is tendered by Mr. Babson after assaying the causes of the current inflation and how it can be halted. Expects "severe and unprofitable competition during the remaining months of 1957."

What is really causing the inflation buildup and how can it be arrested? Among causes suspected are the unchecked wage demands of labor and the government's earlier mistake in pressing for easy - money policies.

Roger W. Babson

The way to check the inflation spiral, many say, is through credit restriction. Certainly, without the willingness of business and consumers to assume debt, there could not have been the kind of spending which has led to the expansion and production seen in recent years. Without these tonics neither production nor prices could have risen as they have.

Gradual inflation may continue to the point where the turnover of money will have finally reached its limit. Should too many businesses or consumers become suddenly pessimistic with regard to conditions, an about-face could occur rather quickly. My personal poll of businessmen gives indications of waning confidence.

Labor's Share Increasing

Both businessmen and consumers should understand that unbridled spending cannot help but intensify the inflationary threat. Is it possible that the only solution is tighter direct government controls for all? But even if both the businessman and the consumer should become frightened by the inflationary spiral, I believe the full effects need not be felt for several months to come.

Despite the current business sentiment, production in June and July about equaled the April and May levels. Employment is up, retail sales are ahead of totals for last year at this time. The factory work week, though slightly longer at latest report, falls short of that for the same period in 1956. *The increased number of hours worked pushed weekly earnings in manufacturing up about 80 cents in June over May to an average of $82.59, resulting in a year-to-year gain of more than $3 per week.* Construction activity, which had been lagging earlier in the year, is picking up. Chemicals, rubber, and utilities are on the uptrend. Gross national product has passed the $430 billion mark. Even with due allowance for higher prices, all of the foregoing suggests continued heavy spending.

Important Statistics to Remember

Let us not forget certain basic ingredients of our economy. Today, we see about one million new family formations per year, with all the resulting wants and needs. This compares with a figure of 500,000 in 1940. The longer life span of our oldsters is adding a large non-producing segment to our population at one end; while the high birth rates following World War II are creating another big group of dependents at the other end. *In the middle are the workers, shrunken abnormally in numbers by the low birth rate of the depressed 1930's.*

Upon this relatively small worker force falls the burden of production. The solution to the problem lies in a vastly increased rate of output per worker—or in a decline of total demand. Stepped-up automation may be the real answer—but this change will come slowly. I therefore conclude that labor leaders hold the reins; they must be responsible for the ultimate results. They, and the politicians who fear them, will surely cause a smash-up unless they stop demanding constant wage increases.

Remaining 1957 Months

Bonds are selling lower than for over 20 years. This is not a good sign. Stocks are not holding up, many commodities are slipping in price. Investment sentiment and reported earnings show up well so far in July. I, however, believe that readers will do well to take profits and deposit the money in banks where they can get 3% to 4% awaiting a good break in the stock market.

Businessmen should gradually get out of debt and prepare for very severe and unprofitable competition during the remaining months of 1957. Either assured peace or another war could start a collapse. I "feel-in-my-bones" that something unexpected may at any time happen. I especially have in mind the fear of either *fallout* or *disarmament*. Russia's best defense at the present time is using the threat of fallout in trying to force disarmament.

G. K. Handley to Join Hogle Inv. Co.

A prominent New York banking official, G. Kenneth Handley, will become Vice-President of the Hogle Investment Company in Salt Lake City, Utah, this September, according to announcement by James E. Hogle, President of the Hogle Investment Company.

G. Kenneth Handley

Mr. Handley, a native Salt Laker, is presently Vice-President of the Hanover Bank of New York City, having served the bank for the past 27 years.

Prior to joining the investment department of the Hanover Bank in 1930, Mr. Handley was employed by the Cities Service Co. in New York and was also associated with the Chase Securities Corporation.

In addition to his duties with the Salt Lake investment company, Mr. Handley will serve as investment adviser to the partnership firm of J. A. Hogle & Co., members of the New York Stock Exchange.

He will aslo be financial adviser to Bonneville-on-the-Hill Corp., Rico Argentine Mining Co. and Consolidated Eureka Mining Co.

Newhard Cook Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Samuel W. Polk, Jr., has been added to the staff of Newhard, Cook & Co., Fourth and Olive, members of the New York and Midwest Stock Exchanges.

J. T. Patterson Opens

John T. Patterson, Jr. is conducting a securities business from offices at 250 West Fifty-Seventh Street, New York City, under the firm name of Modern Investors Planning.

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Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

There was a time when the New York City banks were reporting deposit capital funds ratios far above those that now prevail. The present status is as follows:

Bankers Trust	9.7 to 1
Bank of New York	10.8 to 1
Chase Manhattan	11.4 to 1
Chemical Corn Exch.	11.5 to 1
Empire Trust	10.0 to 1
First Nat. City*	11.0 to 1
Guaranty	6.0 to 1
Hanover Bank	10.0 to 1
Irving Trust	11.3 to 1
Manufacturers	12.5 to 1
J. P. Morgan & Co.	9.6 to 1
New York Trust	8.5 to 1
United States Trust	4.7 to 1

***With the new money First City received on its recent rights offering of new stock, and using June 30, 1957, deposit total, this bank's ratio would be 9.2 to 1.**

For comparative purposes probably United States Trust could be omitted from this as the major portion of its gross does not come from loans and investments, but from trust fees, commissions, etc.

Now, if we were in normal times the bank managements would be justified in accepting this condition as satisfactory from the depositor's point of view, because, normally, the banks would be in a far better balance so far as distribution of their assets was concerned than they are today. As recently as 1954 mid-year National City reported about 39% of assets in government bonds and other securities; about 37% in loans and discounts. Back in 1950 Manufacturers reported 47% in securities investments, only 24% in loans; and as of the 1952 year-end a group of 15 leading New York City banks showed an average of 61% of total assets in cash, governments and other securities, with only 37% in loans. But now let us look at these banks' ratios of loans at the 1957 mid-year date, to total assets:

Bankers Trust	58%
Bank of New York	49
Chase Manhattan	50
Chemical Corn	51
Empire Trust	56
First National City	51
Guaranty Trust	54
Hanover Bank	51
Irving Trust	47
Manufacturers Trust	40
J. P. Morgan & Co.	47
New York Trust	52
United States Trust	40

The average here is 50%. And, let it be borne in mind, that this condition exists at the top of the greatest economic boom in our history.

So there is no wonder that Mr. Cook of FDIC in a recent speech counseled increases in current dividend rates above those at present being paid. Because until recently many bank stocks were selling below published book values, the banks were hard put to float new capital. They therefore resorted to somewhat niggardly dividend pay-outs in order to retain as much as possible of earnings to build up book values, and also to keep as comfortable a deposit capital funds ratios as feasible.

The FDIC head of course was, indirectly, giving the banks a way out to improving their position, for larger dividend disbursements could well bring about improved market prices for the stocks, and higher markets would put the banks into a better position to put out new stock.

Another concomitant factor to be considered is that an increase in capital by a bank enables it to increase its lending capacity to any one borrower; and with the current expansion in industrial activity, the borrowing corporation has reason to look to the banks for greater loan accommodation.

It is for these reasons that this space is of the opinion that banks generally will tend to up their dividend pay-outs, and, in some cases, go to the shareholders for new capital funds via rights. The experience of First National City Bank in its highly successful hugh new financing will probably lead the way. And it could well be that the large New York banks could be leaders, as they were on another and less happy occasion when, in the early 1930's some of them, with no real need for additional capital at all, led the way and floated preferred stock and capital note issues to temper the stigma that in those days attached to these issues in many minds.

And the earnings dilution need not be of great moment, for the new funds could be put to productive work quickly. An example is the earlier financing by National City Bank, whose earnings continued to increase despite the presence of the new money. And can we doubt that on that bank's latest financing the funds will be put to good account at a time when the management can take advantage of the new higher interest rates just announced?

Milton Nechemias Opens

BROOKLYN, N. Y. — Milton Nechemias is engaging in a securities business from offices at 357 East 55th Street.

Emil Pollak Opens

Emil S. Pollak is engaging in a securities business from offices at 177-179 East Eighty-Seventh St., New York City.

Poritzkv Opens Office

PEEKSKILL, N. Y.—Herman I. Poritzky has opened offices at 111 North Division Street to engage in a securities business.

Form Progress Planning

Progress Planning Corp. has been formed with offices at 335 Broadway, New York City, to engage in a securities business.

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Continued from first page

The Problems We Are Facing

whether we can solve the problem, but how best to deal with it under our form of government and free enterprise institutions. Solve it we can—and must.

The Committee has been inquiring particularly into fiscal policies and it is equally important to inquire into credit and monetary policies. They are closely interrelated, and are the two paramount and time-tested means available to the Government in combatting inflation. There are undeniably practical limitations of timing and scope upon both, they are the most effective weapons in the arsenal against this destructive invader. In fact they are indispensable.

By way of preface and for the record I should like to outline first the general structure and organization of the Federal Reserve System. Then I want to go into the nature and character of the problems the nation is now facing.

Federal Reserve Structure

The Federal Reserve Act of 1913 was the outgrowth of prolonged Congressional study of the history of central banking in other countries and of our own experience, particularly with the First and Second Banks of the United States. The Congress, seeking to avoid either political or private domination of the money supply, created an independent institution which is an ingenious blending of public and private participation in the System's operations under the coordination of a public body—the Federal Reserve Board—in Washington.

This question of "independence" has been thoroughly debated throughout the long history of central banking. On numerous occasions when amendments to the Federal Reserve Act were under consideration the question has been reexamined by Congress and it has reaffirmed its original judgment that the Reserve System should be independent — not independent of Government, but independent within the structure of the Government. That does not mean that the reserve banking mechanism can or should pursue a course that is contrary to the objectives of national economic policies. It does mean that within its technical field, in deciding upon and carrying out monetary and credit policy, it shall be free to exercise its best collective judgment independently.

The Reserve System is an instrument of Government designed to foster and protect the public interest, so far as that is possible through the exercise of monetary powers. Its basic objective is to assure a monetary climate that permits economic growth together with stability in the value of our money. Private citizens share in administering the System but, in so doing, they are acting in a public capacity. The members of the Board of Governors and the officers of the Federal Reserve Banks are in a true sense public officials. The processes of policy determination are surrounded with carefully devised safeguards against domination by any special interest group.

Broadly, the Reserve System may be likened to a trusteeship created by Congress to administer the nation's credit and monetary affairs—a trusteeship dedicated to helping safeguard the integrity of the currency. Confidence in the value of the dollar is vital to continued economic progress and to the preservation of the social values at the heart of free institutions.

The Federal Reserve Act is, so to speak, a trust indenture that the Congress can alter or amend as it thinks best. The existing System is by no means perfect, but experience prior to 1914 suggests that either it or something closely approximating it is indispensable. In its present form, it has the advantage of being able to draw upon the knowledge and information of the directors and officers of its 12 banks and 24 branches in formulating and carrying out credit and monetary policies.

Board of Governors

The Board of Governors, as you know, is composed of seven members appointed by the President and confirmed by the Senate, each for a term of 14 years. In appointing the members of the Board, the President is required to give due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, as well as the geographical divisions of the country. From among these members the President designates a Chairman and a Vice Chairman for terms of four years. Some of the functions of the Board of Governors are (1) to exercise supervision over the Federal Reserve Banks; (2) to fix, within statutory limits, the reserves which member banks are required to maintain against their deposit liabilities; (3) to review and determine the discount rates which are established biweekly at each Federal Reserve Bank, subject to approval of the Board in Washington; (4) to participate, as members of the Federal Open Market Committee, in determining policies whereby the System influences the availability of credit primarily through the purchase or sale of Government securities in the open market; (5) to fix margin requirements on loans on stock exchange collateral; and (6) to perform various supervisory functions with respect to commercial banks that are members of the System and to administer Federal Reserve, Holding Company, and other legislation.

Federal Reserve Banks

Each Federal Reserve Bank has a board of nine directors, of whom six are elected by the member banks. Of these, three are bankers, one from a large, one from a medium, and one from a small bank. Three more must not be bankers, but must be engaged in some nonbanking business. The other three members are appointed by the Board of Governors in Washington, which also designates one to be the Chairman and another the Deputy Chairman. None of these three may be an officer, director, employee, or stockholder of any bank. The directors of a Reserve Bank supervise its affairs. Subject to approval of the Board of Governors, they appoint the President and First Vice-President. Subject to review and determination by the Board of Governors, they establish discount rates.

The stock of each Federal Reserve Bank is held by the member banks of its district. This stock does not have the normal attributes of corporate stock; rather, it represents a required subscription to the capital of the Reserve Bank, dividends being fixed by law at 6 per cent. The residual interest in the surplus of the Federal Reserve Banks belongs to the United States Government, not to the Bank's stockholders.

Federal Open Market Committee

The Federal Open Market Committee consists, according to law, of the seven members of the Board of Governors, together with five Presidents of the Federal Reserve Banks. Four of these five Presidents serve on a rotating basis; the fifth, the President of the Federal Reserve Bank of New York, is a permanent member of the Committee. Since June, 1955, when its Executive Committee was abolished, this Committee has usually met at three-week intervals to direct the sale and purchase of securities in the open market. In practice, all twelve Presidents attend these meetings and participate freely in the discussion, although only those who are members of the Committee vote.

Federal Advisory Council

The Federal Reserve Act also provides for a Federal Advisory Council of twelve members. One is elected by the Board of each Reserve Bank for a term of one year. The Council is required by law to meet in Washington at least four times each year. It is authorized to confer directly with the Board of Governors respecting general business conditions and to make recommendations concerning matters within the Board's jurisdiction.

Judging Economic Trends

The work of the System requires a continuous study and exercise of judgment in order to be alert to the way the economy is trending and what Federal Reserve actions will best contribute to sustained economic growth. Such decisions are often hard to make because of the existence of cross-currents in the economy. Even in generally prosperous times, some parts of the economy may not fare as well as others. Credit policy must, however, fit the general situation and not reflect unduly either the condition of certain industries experiencing poor business, or that of other industries enjoying a boom. Residential construction illustrates this point. In 1956 and so far in 1957 demand pressures on available resources have been generally strong and prices have been moving up, but housing construction has receded considerably from its 1955 peak. The home-building industry undoubtedly could supply housing at a faster rate than is now prevailing. But even at the current volume, building costs continue to increase. The prices of some building materials have fallen, it is true, but the over-all cost of housing construction has increased appreciably even in the face of moderately lower demand. The explanation is to be found in the fact that expenditures for all major types of construction except residential have been maintained at or above record levels. This example shows why credit policy must take account of the over-all situation, and can not be deterred unduly by special cases that are not typical of the whole.

Another factor complicating economic interpretation is that even in a period of broad advance and upward pressure on prices, there may be lulls when conditions seem to be stabilizing and the next turn of events is difficult to appraise.

Purposes

The objective of the System is always the same — to promote monetary and credit conditions that will foster sustained economic growth together with stability in the value of the dollar. This goal may be thought of in human terms. The first part may be considered as concerned with job opportunities for wage earners; the latter as directed to protecting those who depend upon savings or fixed incomes, or who rely upon pension rights. In fact, however, a realization of both aims is vital to all of us. They are inseparable. Price stability is essential to sustainable growth. Inflation fosters maladjustments. In some periods these broad aims call for encouraging credit expansion; in others, for restraint on the growth of credit. The latter is what is required at present, for clearly the most critical economic

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problem now facing this country is that of inflation, or put in the terms of the man on the street, it is the rising cost of living.

The Current Problem of Inflation

This problem is far different from the one that beset us during the depressed 1930's, and left an indelible impression on our thinking. The problem then was one of drastic deflation with widespread unemployment, both of men and material resources. Today's problem has persisted through the years since World War II. It consists of inflationary price increases and the economic imbalances that have resulted.

This is the overriding problem that faces the Federal Reserve System today, for a spiral of mounting prices and wages seeks more and more financing. It creates demands for funds in excess of savings, and since these demands can not be satisfied in full, the result is mounting interest rates and a condition of so-called tight money. If the gap between investment demands and available savings should be filled by creating additional bank money, the spiral of inflation which tends to become cumulative and self-perpetuating would be given further impetus. If the Federal Reserve System were a party to that process, it would betray its trust.

Conflicting Views on Causes

There is much current discussion of the origin of inflationary pressures. Some believe they reflect a recurrence of demand-pulls, similar to those present in the earlier postwar period. Others believe they originate in a cost-push engendered by administered pricing policies and wage agreements that violate the limits of tolerance set by advances in productivity.

These distinctions present an oversimplification of the problem. Inflation is a process in which rising costs and prices mutually interact upon each other over time with a spiral effect. Inflation always has the attributes, therefore, of a cost-push. At the same time, demand must always be sufficient to keep the spiral moving. Otherwise the marking up of prices in one sector of the economy would be offset by a reduction of prices in other sectors.

There is much to be said for the view that contractual or other arrangements designed as shelters or hedges from inflation have the effect of quickening its tempo. The 5% rise in the cost of living which we have experienced over the last two years has probably reflected and been reflected in more rapidly rising wage costs because of the prevalence of cost of living clauses in many modern wage contracts. Cost plus contracts tend to have the same quickening effect on the inflationary spiral.

The spiral is also, however, a demand spiral. At each point of time in the development of the inflationary spiral, there must be sufficient demand to take the higher-priced goods off the market and thus keep the process moving.

The Inflationary Spiral

The workings of the spiral of inflation are illustrated by the economy of the moment. As has been brought out at some of the earlier hearings of this Committee, we are now faced with the seeming paradox that prices are expected to continue to rise, even though the specific bottlenecks in capacity that impeded the growth of production in 1956 have now been largely relieved, and investment in productive facilities continues at very high levels. Houses, automobiles, household appliances and other consumer goods, as well as most basic materials, are all readily available—at a price. The problem is no longer one of specific shortages or bottlenecks causing prices of individual commodities to be bid up because of limited availability but rather it is one of broad general pressure on all of our resources. In other words, aggregate demand is in excess of aggregate availabilities of these resources at existing prices.

Taking the situation as a whole, as individuals, corporations, and governments proceed with their expenditure plans, buttressed by borrowed funds, they are in the position of attempting to bid the basic factors of production—land, labor, and capital — away from each other and in the process the general level of costs and prices is inevitably pushed upward. Recently, this general pressure has been expressing itself particularly in rising prices for services as compared with goods. Despite the existence in some lines of reduced employment and slack demand, many employers now face rising costs when they seek to expand activity by adding appreciably to the number employed. Often, the additional manpower required has to be bid away from other employers. As a result, many current plans for further expansion of capacity place great emphasis on more efficient, more productive equipment rather than on more manpower.

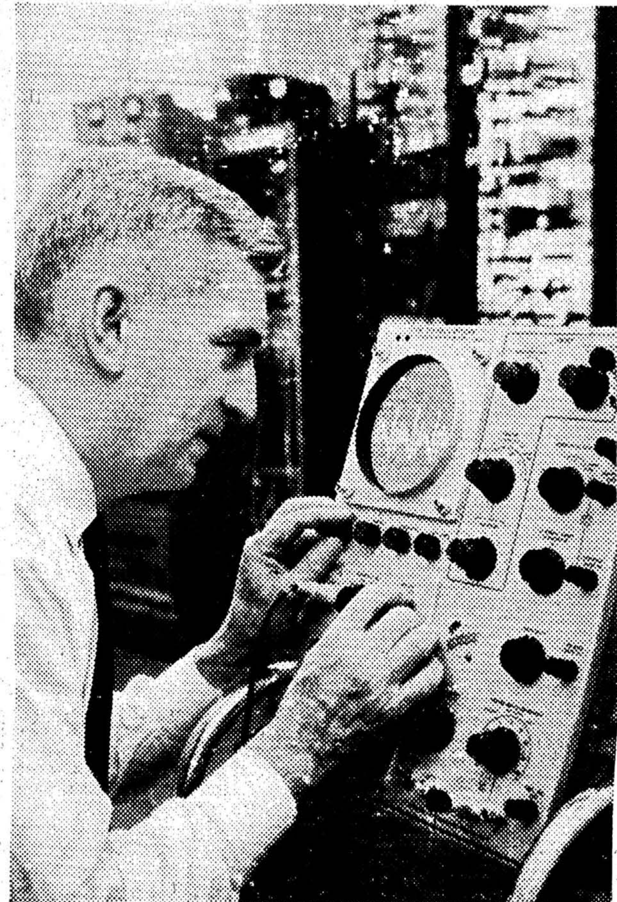
This generalized pressure on resources comes to a head in financial markets in the form of a shortage of saving in relation to the demand for funds. A considerable volume of expenditure is financed at all times out of borrowed funds. When these funds are borrowed from others who have curtailed their own expenditures, no additional demand for resources is generated. On balance, however, demands for funds by those who have wanted to borrow money to spend in excess of their current incomes have outrun savings. Those who have saved by limiting their current expenditures, and thus made funds available for lending, have still not kept pace with the desire of governments, businesses, and individuals to borrow in order to spend.

Just as an intense general pressure on available resources manifests itself in rising wages and prices, a deficiency of savings relative to the demand for borrowed money manifests itself in an increase in the price of credit. In such circumstances, interest rates are bound to rise. The rise in rates might be temporarily held down by creating new bank money to meet borrowing demands, but this, as I have said, would add fuel to inflation and bring about further increases in demands. In the end, as prices rose ever faster, interest rates could not be held down. In summary, whatever the special features of the current inflation, the important fact is that it is here, and that it has created demands for borrowed funds in excess of financial savings, even though these have grown appreciably. Any attempt to substitute newly created bank money for this deficiency in savings can only ag-

Continued on page 20

An intrstng exprmnt in spch

How your words might be compressed into "shorthand" sound waves for telephone transmission



YOUR EAR IS OUR CUSTOMER. Bell Laboratories scientist Homer W. Dudley, who originated the "electronic shorthand" method of sending speech, studies wave patterns made by sounds as you would ordinarily hear them over the telephone. To get these sounds from mouth to ear by telephone as quickly and efficiently as possible is our fundamental job.

Any time we can speed your voice from telephone to telephone with less equipment you're bound to benefit.

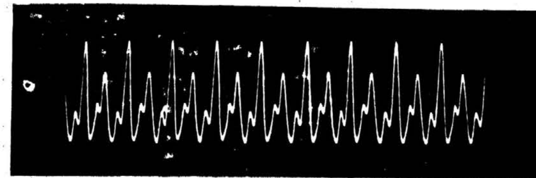
One possible way to do this is by a new transmission method which Bell Telephone Laboratories scientists are exploring. You might call it "electronic shorthand."

Actually, it's a method by which samples are snipped off a speech sound—just enough to identify it—and sent by telephone to a receiver that rebuilds the original sound.

The two charts on the right show how this can be done even with a short sound like "or."

Our scientists are putting further research into this idea, which could mean not only improved service but a more economical use of lines as well. Voices could be sent by fewer electrical signals. And more voices could be sent over each wire.

It's exploring and developing like this that make telephone service the bargain it is.



THIS IS THE SOUND "OR." Chart shows how the oscilloscope records vibrations of the sound "or." Vibrations originate in puffs of air from the larynx when a word is spoken. Electronic machines don't really need all these vibrations to recognize the particular sound.

THIS IS ELECTRONIC SHORTHAND OF THE SOUND "OR." One "pitch period" in three (as against all nine shown in upper chart) has been selected for transmission. With this system, three times as many voices could theoretically travel over the same pair of wires and be rebuilt into the total original sounds.

Working together to bring people together

BELL TELEPHONE SYSTEM

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The Problems We Are Facing

gravate the problem and make matters worse.

Effects of Higher Interest Rates

The response to higher interest rates is complex. One result is that some would-be borrowers draw on cash balances to finance projected expenditures or lenders draw on their balances to lend at the higher rates, thus reducing their liquidity and increasing the turnover of the existing money supply. In recent years, with the large volume of Federal Government securities outstanding, many holders of these securities—both institutions and individuals—have liquidated their holdings in order to shift funds to other uses. This has been an important influence in bringing about the decline in bond prices. To the extent that accumulated cash balances or other past savings can be used more actively, expenditures remain high relative to available resources and prices tend to rise, but the reduced financial liquidity eventually exerts restraint on borrowing and spending.

Another result of higher interest costs, together with greater difficulty in obtaining loans, is that many potential borrowers revise or postpone their borrowing plans. To the extent that expenditures are revised or deferred, inflationary pressures are reduced.

The most constructive result is the encouragement of a volume of savings and investment that permits continued expansion of productive facilities at a rate consistent with growing consumption demands. Only in this way can the standard of living for a growing population be improved and the value of savings be maintained.

Such constructive adaptations, if made in time at the onset of inflationary pressures, need not be large in order to restore balance between prospective demands and the resources available to meet them. It is essential, however, that the adjustment be made. Otherwise prospective expenditures will continue to exceed the resources available and the pressure of excess demand will foster an inflationary spiral.

Expectations of Continuing Inflation

Once such a spiral is set in motion it has a strong tendency to feed upon itself. If prices generally are expected to rise, incentives to save and to lend are diminished and incentives to borrow and to spend are increased. Consumers who would normally be savers are encouraged to postpone saving and, instead, purchase goods of which they are not in immediate need. Businessmen, likewise, are encouraged to anticipate growth requirements for new plant and equipment. Thus, spending is increased on both counts. But, because the economy is already operating at high levels, further increases in spending are not matched by corresponding increases in production. Instead, the increased spending for goods and services tends to develop a spiral of mounting prices, wages, and costs.

Unfortunately, during the past year, as price indexes gradually rose, some segments of the community apparently became reconciled to the prospects of a "creeping" if not a "runaway" inflation. One of the baneful effects of inflation stems from the **expectation** of inflation. While a price increase, in itself, may cause serious dislocations and inequities, other and more serious effects occur if the price rise brings with it an expectation of still other increases. Expectations clearly have a great influence on economic and financial decisions. In fact, decisions to spend or to invest too much in a given time are a direct cause of inflation. Also, if further inflation is expected, speculative commitments are encouraged and the **pattern** of investment and other spending — the decisions on **what kinds** of things to buy—will change in a way that threatens balanced growth.

"Creeping Inflation"

The unwarranted assumption that "creeping inflation" is inevitable deserves comment. This term has been used by various writers to mean a gradual rise in prices which, they suggest, could be held to a moderate rate, averaging perhaps 2% a year. The idea of prices rising 2% in a year may not seem too startling — in fact, during the past year, average prices **have** increased by more than 2% — but this concept of creeping inflation implies that a price rise of this kind would be expected to continue indefinitely. According to those who espouse this view, rising prices would then be the normal expectation and the Federal Reserve accordingly would no longer strive to keep the value of money stable but would simply try to temper the rate of depreciation. Business and investment decisions would be made in the light of this prospect.

Such a prospect would work incalculable hardship. If monetary policy were directed with a view to permitting this kind of inflation—even if it were possible to control it so that prices rose no faster than 2% a year—the price level would double every 35 years and the value of the dollar would be cut in half each generation. Losses would thus be inflicted upon millions of people, pensioners, government employees, all who have fixed incomes, including people who have part of their assets in savings accounts and long-term bonds, and other assets of fixed dollar value. The heaviest losers would be those unable to protect themselves by escalator clauses or other offsets against prices that were steadily creeping up.

Moreover the expectation of inflation would react on the composition of savings. A large part of the savings of the country is mobilized in savings deposits and similar claims that call for some stated amount of dollars. If people generally come to feel that inflation is inevitable, they will not save in this form unless they are paid a much higher interest premium to compensate them for the depreciation of their saved dollars. It is for this reason that it is impossible, in a period of demand in excess of savings, to maintain lower interest rates through a policy of "easy" credit. The country is experiencing a period of generally high employment in which investment outlays remain high, but if fears of inflation cause people to spend more of their incomes and save less, the result could only be more rapid inflation and still less saving in relation to income. Such saving as remained, furthermore, would be less and less in the form of loanable funds to finance homes, highways, school construction, and other community needs.

Effects on Productive Enterprise

An inflationary psychology also impairs the efficiency of productive enterprise — through which our standard of living has made unparalleled strides. In countries that have had rapid or runaway inflations, this process has become so painfully obvious that no doubt remained as to what was happening to productivity. In the making of decisions on whether or not to increase inventory, or make a capital investment, or engage in some other business operation, the question of whether the operation would increase the profit from inflation became far more important than whether the proposed venture would enable the firm to sell more goods or to produce them at lower cost. The incentive to strive for efficiency no longer governed business decisions.

Productivity—Key to Sustained Prosperity

Why have real wages in this country risen to the highest levels in the world, thus permitting our standard of living to rise correspondingly? Certainly, it is not just because wages have risen as the cost of living has risen. The big source of increase has been the increasing productivity of our national economy. Real incomes have gone up because the total size of the pie, out of which everybody receives his share, has grown so magnificently. What has enabled the productivity of the American economy to achieve the levels that make all this possible? One vital factor has been the striving by so many people, each in his own field, for better and more efficient ways of doing things. Equally important has been the willingness to set aside a part of current income to provide the machines, tools, and other equipment for further progress. Both are essential if our standard of living and material welfare are to go on advancing.

Effects of Inflation

Inflation does not simply take something away from one group of our population and give it to another group. Universally, the standard of living is hurt, and countless people injured, not only those who are dependent on annuities or pensions, or whose savings are in the form of bonds or life insurance contracts. The great majority of those who operate their own businesses or farms, or own common stocks or real estate, or even those who have cost-of-living agreements whereby their wages will be raised, cannot escape the effects of speculative influences that accompany inflation and impair reliance upon business judgments and competitive efficiency.

Finally, in addition to these economic effects, we should not overlook the way that inflation could damage our social and political structure. Money would no longer serve as a standard of value for long-term savings. Consequently, those who would turn out to have savings in their old age would tend to be the slick and clever rather than the hard-working and thrifty. Fundamental faith in the fairness of our institutions and our government would deteriorate. The underlying strength of our country and of our political institutions rests upon faith in the fairness of these institutions, in the fact that productive effort and hard work will earn an appropriate economic reward. That faith cannot be maintained in the face of continuing, chronic inflation.

There is no validity whatever in the idea that any inflation, once accepted, can be confined to moderate proportions. Once the assumption is made that a gradual increase in prices is to be expected, and this assumption becomes a part of everybody's expectations, keeping a rising price level under control becomes incomparably more difficult than the problem of maintaining stability when that is the clearly expressed goal of public policy. Creeping inflation is neither a rational nor a realistic alternative to stability of the general price level.

"Pegging" the Market

It has been suggested, from time to time, that the Federal Reserve System could relieve current pressures in money and capital markets without, at the same time, contributing to inflationary pressures. These suggestions usually involve Federal Reserve support of the United States Government securities market through one form or another of pegging operations. There is no way for the Federal Reserve System to peg the price of government bonds at any given level unless it stands ready to buy all of the bonds offered to it at that price. This process inevitably provides additional funds for the banking system, permits the expansion of loans and investments and a comparable increase in the money supply—a process sometimes referred to as monetization of the public debt. The amount of the inflationary force generated by such a policy depends to some extent upon the demand pressures in the market at the time. It would be dangerously inflationary under conditions that prevail today. In the present circumstances the Reserve System could not peg the government securities market without, at the same time, igniting explosive inflationary fuel.

Do Rising Interest Rates Add to Inflation?

We must be clear in viewing these relationships to distinguish cause from effect and not to confuse them. It is sometimes said that rising interest rates, by increasing the costs of doing business, lead to higher prices and thus contribute to inflation. This view is based upon an inadequate conception of the role of interest rates in the economy, and upon a mistaken idea of how interest costs compare with total costs. In municipal government budgets, it is about 2%, in many utilities, it is 3% to 5%. Thus, as an element of cost, interest rates are relatively small; but as a reflection of demand pressures in markets for funds, interest rates are highly sensitive. As previously explained, rising interest rates result primarily from an excess of borrowing demands over the available supply of savings. Since these demands are stimulated by inflation, under these circumstances rising interest rates are an effect of inflationary pressures, not a cause. Any attempt to prevent such a rise by creating new money would lead to a much more rapid rise in prices and in costs than would result from any likely increase in interest rates. Such an attempt, moreover, would not remove the need for a fundamental adjustment in the relation between saving and consumption and would probably fail in its purpose of stabilizing interest rates.

Basic Factors in Recent Inflationary Pressures

A major cause of recent inflationary pressures has been the attempt to crowd into this period a volume of investment greater than the economy could take without curtailing consumption more than consumers have been willing to do. In fact, there has been some increase in consumption on borrowed funds. Increases in interest rates naturally come about under such conditions; they are the economy's means of protecting itself against such excessive bunching of investment or the building up of an unsustainable rate of consumption. While the effect of a moderate change in interest rates on the cost of goods currently being produced and sold is small and relatively unimportant, changes in interest rates do assume importance as a cost in the planning of new investment outlays. These costs do not affect current operations or add to upward price pressures to any substantial extent. They do tend to deter the undertaking of new investment projects and to keep the amount of investment spending that is being undertaken in line with the economy's ability to produce investment goods. To maintain artificially low interest rates under these conditions, without introducing any other force to restrain investment, would be to invite an unbridled investment boom, inflation, and an inevitable collapse later.

It is necessary to emphasize that there are many influences, other than monetary policies and interest rates, that affect the volume of consumption, investment, and saving and their relationships. Monetary policies operate directly through the volume of bank credit and bank-created money. The volume of current saving out of income and the uses made of new and outstanding savings have a more important bearing upon the availability of investment funds than bank credit. Interest rates, therefore, are influenced by the relationship between investment demands and the availability of savings, independently of monetary policies. Interference with these relationships through monetary policies, in fact, may prevent necessary and healthy adjustments that help to maintain equilibrium in economic growth.

In a Nutshell

A. An inflationary spiral is always characterized by:

(1) An interaction between rising costs and rising prices; and

(2) an increase in over-all effective demand sufficient to keep the spiral going. As prices generally keep rising, a larger and larger volume of demand (in dollar terms) is needed to sustain the same volume of transactions (in physical terms).

As long as it persists, therefore, an inflation will always show evidence of both demand pulls and cost pushes with their relative manifestations shifting as the inflation runs its course.

B. The tempo of interaction between rising costs and rising prices will be speeded up if the situation is characterized by:

(1) The release of a previously created overhang of pent-up money demand (such as existed when direct controls broke down or were relaxed at the end of the war).

(2) The creation in volume of new money demand through excessive credit expansion and/or activation of existing cash balances (such as happened when war broke out in Korea).

(3) The widespread existence in the economy of escalators which act automatically to transfer rising costs or prices into rising prices and costs (cost of living clauses in collective bargaining agreements, cost plus contracts, etc.).

(4) The degree to which a speculative psychology backed by effective demand pervades business decisions.

C. The tempo of interaction between costs and prices will also be affected by the degree to which administered prices and wage rates are prevalent in the economy. These effects are not always in the same direction. The net effect of the many and various factors influencing administered prices and wages sometimes tend to slow up and sometimes to accelerate price movements, depending upon the particular circumstances.

D. Whatever the mix of the above ingredients, an inflation once under way will tend to persist as long as the credit necessary to finance the rising level of costs and prices is forthcoming. Credit may be supplied through new bank credit expansion or by activation of already existing money.

E. Whatever its antecedent characteristics, an inflation will tend to feed upon itself and be

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accentuated once the investing and saving public come to think of further inflation as the prospect.

F. It is the nature of inflation hedges to act as aggravating rather than equilibrating factors.

G. No one suffers more than the little man from the ravages of inflation.

H. A monetary authority dedicated to promoting the public welfare must not relax restraints in the face of continuing inflationary pressures, since any efforts to relax merely add to the forces tending to keep the inflation in motion.

What More Can Be Done?

How, then, may further inflation be restrained? Bluntly, the answer is to be found in a moderation of spending, both governmental and private, until the demands for funds are balanced by savings. This prudence must be coupled with sound fiscal policy, which means a larger budget surplus as well as effective monetary policy to restrain the growth of bank credit.

Among the factors influencing saving and consumption are those fiscal policies relating to taxes and governmental budgets. These require special attention because they are not as responsive to changes in the availability of credit and interest rates as are private activities. Untimely fiscal policies can create or aggravate imbalance in the economy and thus dilute the effectiveness of monetary policies. On the other hand, fiscal measures that help to maintain balance can reduce the degree of restraint that monetary policies might otherwise have to exert.

Experience over the centuries has demonstrated that there is no tolerable alternative to adequate fiscal and monetary policies, operating in an environment of open, competitive markets under our system of human freedoms. Neither an economic dictatorship nor complacent acceptance of creeping inflation is a rational or tolerable way of life for the American people.

There is no panacea, no magical means of assuring orderly economic growth, nor are we much more likely in the future than in the past to achieve perfect performance in the timing and execution of policy and action. We have every reason to believe, nevertheless, that we can discern and follow the right path. Thus, it is clear that the present situation calls both for a larger budgetary surplus than we have had or have in prospect, and a continuance of restraint upon creation of new supples of money.

Action Required

Let us not follow the defeatist path of believing that widespread unemployment is the alternative to inflation.

There is no question that the Federal Government and the American people, pulling together, have the power to stabilize the cost of living. The only question is, whether there is the will to do so.

If the will is there, and it is demonstrated convincingly to the American people, the cost of living can be stabilized, interest rates will relax, and a sufficient volume of savings will be encouraged to provide for the economic growth needed in this generation and the next.

The Committee and the Congress can contribute greatly to that end by declaring resolutely—so that all the world will know—that stabilization of the cost of living is a primary aim of Federal economic policy.

The goal of price stability, now implicit in the Employment Act, can be made explicit by a straightforward declaration and directive to all agencies of the Government that anti-inflationary actions are to be taken promptly whenever the cost of living begins to rise.

The Executive and Legislative branches of Government, in conjunction, can assure adjustment of Federal revenues and expenditures so that, in times when total spending threatens to burst the bounds of capacity and drive up the cost of living, the Federal Government will set an example of restraint in outlays and at the same time produce a surplus to counter inflationary pressures from any quarter.

The Congress and the Executive can take steps to assure that free and vigorous competition is maintained in all segments of the economy as the bedrock of our free enterprise system.

The Federal Reserve System, itself a creation of the Congress, can—and I assure you that it will—make every effort to check excesses in the field of money and credit that threaten the cost of living and thus undermine sustained prosperity and growth of our economy.

In all of these ways we can, if we have the will, set the face of the nation so resolutely against inflation as to keep that enemy from our gates.

No greater tragedy, short of war, could befall the free world than to have our country surrender to the easy delusion that a little inflation, year after year, is either inevitable or tolerable. For that way lies ultimate economic chaos and incalculable human suffering that would undermine faith in the institutions of free men.

Form Western Enterprises

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Western Enterprises, Inc. is engaging in a securities business from offices at 7251 East Parkway. Officers are Fremont B. Hitchcock, Jr., President; Weldon B. Mansfield, Vice-President; and Sheldon W. Parker, Secretary-Treasurer.

Jerry Thomas Adds

(Special to The Financial Chronicle)

PALM BEACH, Fla. — Lora L. Brugh and Mrs. Clyde H. Bell are now with Jerry Thomas & Co., Inc., 238 Royal Palm Way.

A. Feit Opens

(Special to The Financial Chronicle)

BROOKLYN, N. Y.—Alvin Feit is conducting a securities business from offices at 2650 East 13th St.

M. H. Gilbert Opens

CYNWYD, Pa.—Morris H. Gilbert is engaging in a securities business from offices at 177 Gramercy Road. He was previously with E. W. Smith Co.

Open Inv. Office

FAR ROCKAWAY, N. Y. — Wilbur and Hilda Buff are engaging in a securities business from offices at 2483 Collier Avenue. Mr. Buff was formerly with Ernst Smith & Co. and Keith Richard Securities Corp.

Two With Sills Co.

(Special to The Financial Chronicle)

MIAMI, Fla. — William T. Higgins and Edwin L. Brown have become connected with Sills and Company, Ingraham Building.

CAPTAIN OF THE TEAM THAT WON—IN STYLE

(AND WON CHEERS FROM THE BOARD OF PUBLIC OPINION)

Contrary to what *some* people in Detroit think, the styling team at Chrysler Corporation does *not* have a crystal ball.

It's simply that the forward-looking men who shape our cars know design and they know people—a combination that puts styling prediction on pretty solid ground.

Awhile back, Virgil Max Exner, above, Vice-President and Director of Styling, predicted that people would go for a dart or wedge design because it's *the* motion shape. It's *functional*. Jet planes use it—so do missiles and racing boats.

Last October, the five cars that bore the stamp of this conviction—having been exhaustively tested, probed and proved at the company—went before that highest tribunal, the Board of Public Opinion.

And then? And then *history* was made. People took in the look, lift and grace of this new shape of motion and loved it. They saw that the shape was built *in*, not added on. And they discovered that the engineering was every bit as daring, different and triumphant as the appearance. Torsion-Aire Ride banished roughness, "lean", and front-end dive. Pushbutton TorqueFlite transmission demonstrated a sixth sense for smoothness. Total-Contact brakes set a new standard of ease and safety. These were real news, *big* news! And so, shortly, were the sales figures.

Today, it is clear that *the switch is on* to the cars of The *Forward* Look. One out of every five new cars is a Plymouth, Dodge, De Soto, Chrysler or Imperial. They're being bought by people who realize that years-ahead design means dollars-ahead value.

It will take you but a few well-spent minutes with one of these cars and with one of our dealers to discover that now's the time to buy advanced design . . . and that you get it exclusively with The *Forward* Look.

Mr. Exner and his team of stylists were recently awarded the Industrial Designers' Institute gold medal for establishing continuity of design in the five lines of 1957 cars while maintaining separate design identity for each line.

THE *FORWARD* LOOK
CHRYSLER CORPORATION

PLYMOUTH • DODGE • DE SOTO • CHRYSLER • IMPERIAL • DODGE TRUCKS

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Continued from first page

As We See It

calls upon management and labor to exercise restraint in their price and wage policies. . . . ."

From whose lips flow these impassioned and on the whole accurate accounts of the evils of inflation? From some academician speaking from his ivory tower? Some clear-headed banker viewing the current scene from his somewhat detached position in the financial world? Some business man who despite it all has refused to raise his prices? Some retired school teacher who must face old age on a relatively small and fixed pension? They might fittingly have come from the mouths of any of these, but the fact is they are taken from a long harangue by Walter P. Reuther demanding that car manufacturers, or the three leaders in that industry, reduce prices in an amount that would cut some half-billion from their receipts assuming continuance of the volume of production obtaining this year or last.

Strangely From His Lips

These sentences fall strangely from the lips of one of the leading spokesmen for the labor unions, and one who has certainly not been laggard in his demands for cost raising wage increases and working restrictions. Mr. Reuther, in the course of this long and wordy letter to car makers, does not fail to remind the industry that he and his associates "are now in process of preparing for 1958 negotiations" with the leading automobile manufacturers, and he then proceeds to offer to "facilitate price reductions provided the manufacturers will in advance cut their prices." This labor leader is well known as one of the smoothest labor politicians in this or any other country, and what he is doing now seems to substantiate that estimate of him.

Just what are Mr. Reuther's proposals which would "facilitate" price reductions? Does he offer to accept a corresponding cut in the wages of the members of his union? That would appear to the ordinary man to be the way to approach employers with such a proposal if he really means what he is saying. But, of course, he has no such idea in mind. He merely assures the manufacturers that if they put the proposed price reduction into effect on their 1958 models "we for our part will give full consideration to the effect of such reduction on your corporation's financial position in the drafting of our 1958 demands and in our negotiations, "adding that if any of their demands were believed to be likely to force the companies to restore all or a part of the reduction the question of whether they would or would not do so could be left to arbitration. As to whether the findings of such a board of arbitration would be accepted by the union and what it would do in the event that higher prices would be forced in this way, the record is silent. Mr. Reuther goes out of his way to say that steel wages and related conditions of work are in no way responsible for higher prices in that industry. Automobile manufacturers are left to draw such inferences from this statement as seem to them indicated.

In the course of his statement, Mr. Reuther makes much of the supposed influence of the leading manufacturers of automobiles. "Corporations in other industries now tempted to raise prices would," he thinks, "be under strong public pressure to exercise restraint. We are confident that many would follow leadership furnished by the automotive industry in lowering prices." Strangely enough he does not believe, apparently, that reduced wages, or even a halt in the increase in wages would do anything at all to combat inflation, or that there are other unions in the country which might follow the lead of the United Auto Workers in taking definite and specific action of the sort that he finds it so important that the auto manufacturers take.

The Real Situation

What troubles us most about all this is, however, not Mr. Reuther's reasoning, which of course is absurd, but the fact that he is in a position to make such proposals as he now comes forward with. Let it be carefully noted that he is talking not to one employer, but really to a whole industry. He is speaking not for some group of workers in the industry, but for all of them. He is in effect telling the industry upon just what terms they can have the help they want and need for their operations, and there is none to say him nay. There are no workers anywhere who might be inclined to compete with the members of Mr. Reuther's union, and none who would dare do so even if they wished. In other words such a proposal could come with any real meaning only from one in a monopolistic position.

Now the truth of the matter is that neither the manufacturer of automobiles nor any other product can fix prices where he wants them regardless of the desires and the willingness of consumers to pay them. Neither can any one of them fix prices without regard to what other manufacturers do or plan to do. In other words on the side of the employers there is keen competition. But if a condition existed among these corporations similar to that which obtains among the workers in the industry "administered" prices would most certainly be the rule, and natural forces which tend to keep prices in line with general conditions would be greatly weakened.

That competition exists among the employers of his union members is, of course, well enough known and understood by Mr. Reuther and his associates. They have on more than one occasion taken full advantage of it to force wage increases which they could not otherwise have hoped to get. If Mr. Reuther speaks in another vein now it is because it suits his immediate purposes.

E. F. Durand With Shearson, Hammill Co.

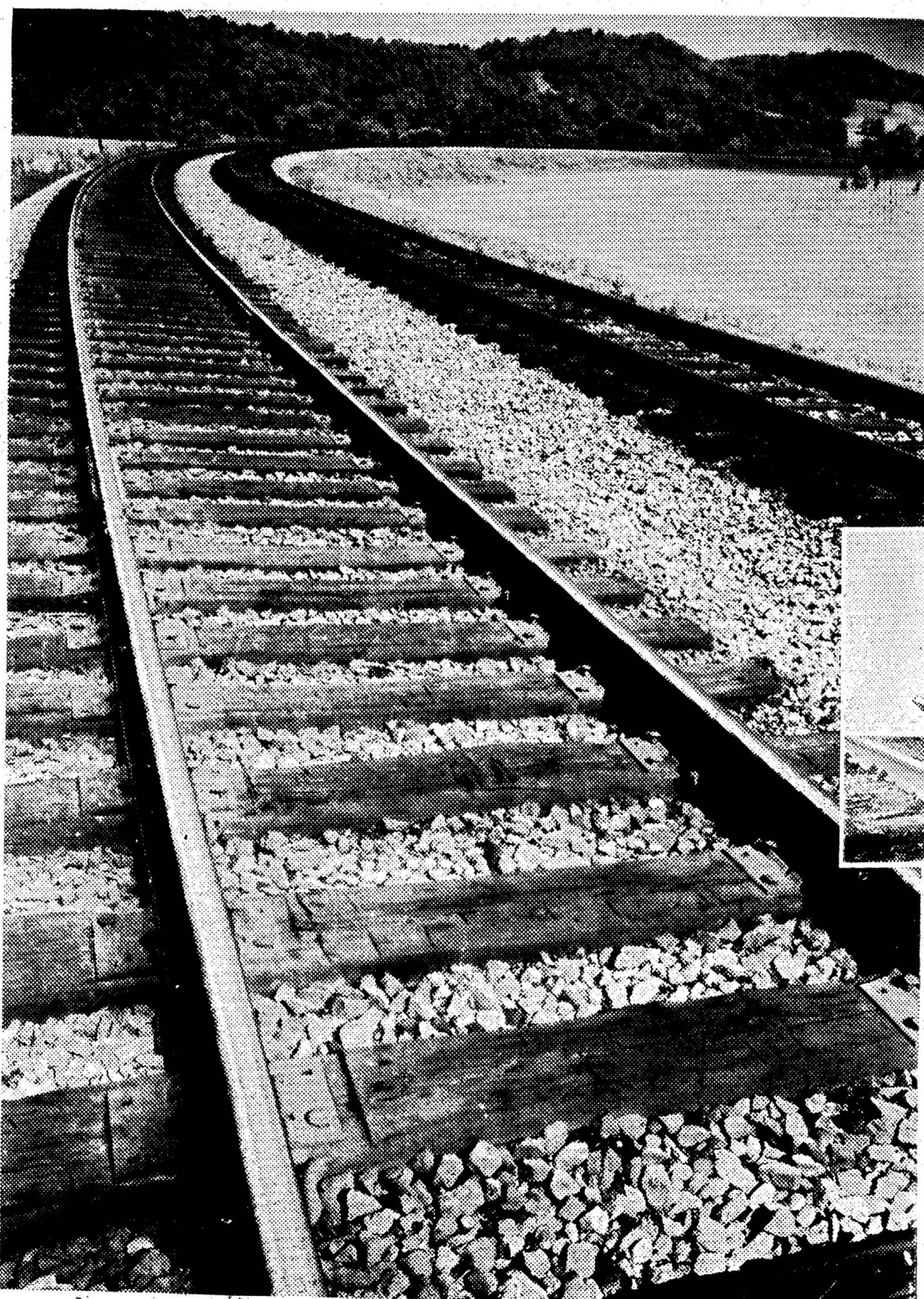
BEVERLY HILLS, Calif.—Eugene F. Durand has become associated with Shearson, Hammill & Co., 9608 Santa Monica Boulevard. Mr. Durand was formerly Pacific Coast wholesale manager for Broad Street Sales Corporation. In the past he conducted his own investment business in Tucson, Ariz.

Eugene F. Durand

Form United Inv.

United Investors Syndicate Inc. is conducting a securities business from offices at 50 East 42nd Street, New York City.

WHAT MAKES CHESSIE'S RAILROAD GR



Continued from page 4

Assumptions and Interpretations Underlying SEC Laws

chaser making, the representation has apparently understood the significance of these statements. Securities have been sold in transactions purporting to be private and for the purpose of investment when, in fact, they were immediately resold to many other persons in an illegal distribution. In some cases, these resales involved not only an illegal public distribution but also involved violations of the anti-fraud provisions.

Issuers and underwriters must assume the responsibility, and act at their own risk, in determining whether investment representations reliably reflect the authentic intention of purchasers and, in fact, protect the claimed exemption. If a purchaser means by "taking for investment," for purposes of providing an issuer with a claimed private offering exemption, to hold the securities simply for the six months capital gains period, or for a year, or to hold the securities in an "investment account" rather than a "trading account," or for deferred sale, he is operating under an erroneous concept.

The Commission considers that purchasing for deferred sale is purchasing for sale. If the subsequent sales at some future date involves a distribution to more than 25 or 30 persons, the burden is on the issuer or controlling persons to register or find some exemption.

Issuers and underwriters cannot justifiably rely on the private offering exemption unless they ascertain with preciseness the identities of all the offerees and purchasers and all the circumstances relevant to a clear determination that a public offering will not be involved.

Exemption From Registration

A second recurring problem involves the exemption from the registration provisions of the Securities Act provided for exchanges of securities. This exemption is available where an issuer exchanges one of its securities for another of its securities with its existing security holders exclusively and no commission or other remuneration is paid or given directly or indirectly for soliciting the exchange. It is perfectly clear that this exemption was never intended to be available in transactions where the holders of the convertible securities distribute the securities received on conversion under circumstances which would cause them to be underwriters within the meaning of the Securities Act. If the exchange exemption were construed to afford an exemption for effecting a distribution of the underlying security, evasion of the registration provisions would be invited on a widespread scale.

"No Sale" and "Gun-Jumping"

A third type of transaction that requires clarification involves the illegal use of the Commission's rule interpreting the statutory definition of "sale." Rule 133 excludes from the definition, and makes the registration provisions inapplicable to, certain mergers and consolidations effected under state laws. This rule has been misused by some persons to effect a public distribution of the securities of the surviving company without disclosure of the essential business and financial facts concerning the issuer and the transaction.

Another persistent problem involves gun-jumping. This is the practice of offering securities for sale before filing a registration statement or selling securities prior to the effective date of the registration statement. The restrictions on the activities of prospective issuers and underwriters during the pre-filing period apparently require constant reiteration and exposition.

The dissemination of information about the issuer in the form of brochures or letters, prior to the contemplated filing of a registration statement may violate the registration provisions, if the publication is designed to "condition the market" or to facilitate the sale of a securities issue to be registered in the near future, or may have that effect. In determining the appropriateness of these activities, the Commission considers such factors as the nature and content of the publication, the scope of the distribution of the publication, the length of time between the dates of publication and the subsequent filing of the registration statement, and the relationship of the issuer to the person responsible for such publication.

An issuer may send its customary periodic reports to stockholders without violating the law provided the reports do not contain an express offering of securities or refer to an impending securities offering in a manner designed to solicit from stockholders and others pre-filing offers to buy. However, the publication, at or about the time a registration statement is to be filed, of special brochures dealing with the prospects of the issuer should be avoided. These documents often contain the kind of puffing statements that are not permitted in statutory prospectuses. Similarly, advertisements that are published by an issuer which are other than routine statements of its financial condition or operations, just prior to the filing of a registration statement or during a distribution, are often a thinly veiled attempt to arouse interest in the issuer's securities rather than in the products or services and might be deemed the first step in a securities offering.

Where an officer of a prospective issue makes a speech about the operations of the company in a public forum—such as a security analysts group—shortly before a registration statement is to be filed, the speaker should take appropriate precautions to avoid any possible inference that his remarks were designed to condition the market for the imminent financing of the issuer. In a number of recent cases the Commission has advised the issuer that widespread distribution of reproductions of such speeches would raise questions as to possible violation of the registration provisions. Prediction of dollar amounts of profits or projections of earnings are particularly objectionable since these types of estimates usually are of a character which could not be made under the disclosure standards of the Act. These types of statements are objected to when included in prospectuses on the ground that they involve too many unknowns to be factual in nature.

Apart from publications by the issuer itself or its officers and directors, publications by underwriters in regard to the financial condition and future prospects of an issuer may, likewise, raise serious questions regarding violations of the registration provisions. The timing, contents and distribution of such publications are among the factors that are considered. Even though an underwriting group may not have been formed, a broker-dealer who has participated in previous underwritings for an issuer may reasonably anticipate that his firm may be invited to participate in an impending offering. In these circumstances, he must be careful that any market letters distributed by his firm shortly before the filing do not include information which might constitute improper sales activity. Furthermore, the broker-dealer should not distribute special reports on the issues after he has learned about his probable participation in a contemplated financing. The consequence of the publication of such material prior to the filing of a registration statement or during the period between the filing date and effective date may be the denial by the Commission of acceleration of the effective date of the registration statement.

Fundamental Principles

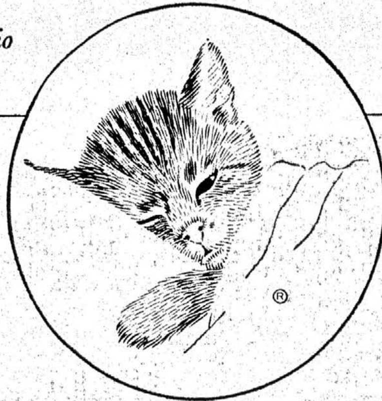
In enforcing and interpreting the securities laws, the Securities and Exchange Commission should be guided by certain fundamental principles:

First, it must be vigilant in protecting investors from fraud and unfair dealing in order that public faith in corporate securities as a medium for investing savings may continue to flourish.

Second, it must respect the important role played by the securities industry in developing the capital needs for the plant and equipment of our industrial system. Our administration of the securities laws must, therefore, be designed to encourage and assist, and not hinder, the distribution of corporate securities to the investing public.

Third, it must use its prosecutory and adjudicatory powers fairly so as not to impair any constitutional rights or privileges of any person subject to its jurisdiction.

One of a series telling what Chesapeake and Ohio is doing to make this a bigger, better railroad.



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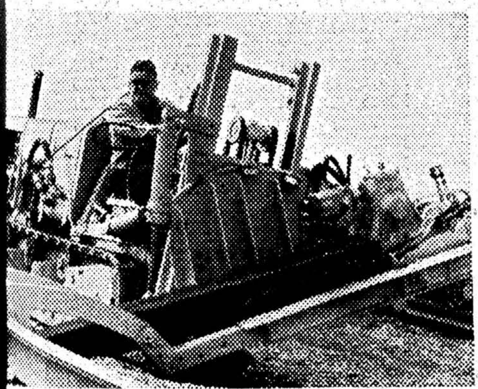
...re *is* a difference in the way this railway ...aintained. But it isn't done merely so that ...man passengers can "sleep like a kitten"®.



...Abbott Tie Machine, developed by C&O person... automatically removes and replaces ties without ...rbing adjacent roadbed, thus permitting trains to ...inue operation without delays.

The high standard of C&O's programmed maintenance is good business for both the railroad and its shipping customers.

Over smooth track (new rail was laid on more than 2,100 miles of track within the past ten years) coal and merchandise freight trains roll faster, more safely, and require less power. This smooth, fast transportation is a plus for freight shippers. They know this and prefer C&O's dependable service.

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With its thinking geared to tomorrow and the courage to translate vision into reality, Chessie's railway keeps growing and going!

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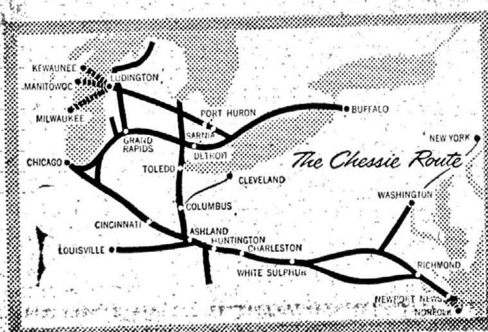

William R. Ehni Joins Lester, Ryons & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William R. Ehni has become associated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Ehni has been in the investment business in Los Angeles for many years, and has recently been with Akin-Lambert Co.

William R. Ehni

D. H. Victor Co. Opens

David H. Victor and Myron Rosenthal have formed D. H. Victor & Company with offices at 32 Broadway, New York City, to engage in a securities business.

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Public Utility Securities

By OWEN ELY

Long Island Lighting Company

Long Island Lighting supplies electricity and gas to the greater part of Long Island, its service area covering about 1200 square miles, with a population estimated at 1,670,000. The island is largely suburban and residential, with little or no heavy industry; the principal manufacturing activity is in airplanes, with a scattering of other light industries. Electricity supplies 77% of revenues and gas the remainder. Industrial revenue contributes only 13% of electric revenues compared with 54% for domestic and 24% commercial.

The company has had a splendid growth record, sparked by the big post-war population increase in Long Island. Since 1947 (on a pro forma basis reflecting the 1950 consolidation plan) revenues have grown from $31 million to nearly $104 million currently; and 1956 revenues showed a gain of 13.4% over the previous year. Net income is now over six times the 1947 figure and last year increased nearly 13%.

On May 28 the new Edward F. Barrett Power Station at Island Park (completed last year) was dedicated. The first generating unit—one of six for which the new station is designed—has a capability of 185,000kw., bringing total generating capacity of the system to 886,500kw. Of the latter amount 72% has been added since 1948. A decade ago the new unit could have taken care of the entire electric load, but now it serves only about one-fifth of the customers. The second of the six units will be installed late in 1958.

The gas division is growing rapidly. The company is actively pushing its gas house-heating campaign and in July this year 82% of the new homes completed in the area installed gas-heating. Conversion of older homes is also under way, with the increased cost of oil a helpful factor. Overall saturation remains only about 12% (compared with 5% about two years ago) so that there is considerable opportunity for further growth. New gas space heating installations during the first half of this year were at a higher rate than for any similar period, and the company is well on the way to achieving its goal of 10,000 heating installations set for 1957.

The company has considerable surplus gas in the summer months and it is rather expensive for the pipe line to store this in Pennsylvania, which is the only place available. However, the company is considering installing underground storage facilities below one of its plants for a large amount of propane, which would be equivalent to many times the amount of gas which could be stored in the same space. This would be helpful in reducing the cost of peak operations in the winter.

In addition to expanding residential gas business, many new plants, laboratories and research centers on the Island are now using gas for complex and exacting heating processes. The company receives its principal supply of natural gas from Transcontinental Pipeline. Delivery of an additional five million cf. began in December bringing the total contracted supply to over 46 million cf. daily. The company is maintaining (partly for standby and peak-shaving purposes and in part to reform natural gas) three water gas plants, two catalytic plants and three liquefied petroleum plants with combined daily manufacturing capability of 96,700,000 cf.

About 55% of customers are served with natural gas having a heat value of 1,000 btu.; the remainder are served with 537 btu. gas, the same thermal content used before natural gas was available. The company has scheduled the conversion of the latter to 1,000 btu. gas, involving approximately 150,000 customers. One-third of this final conversion is scheduled for completion in 1957 and the balance in 1958. While the conversion costs are substantial, there are also substantial savings to be realized in operating expense and in the investment in new main capacity, since raising the heat content of the gas has the effect of increasing the capacity of mains.

Unfortunately, share earnings have not consistently benefited by the rapid growth of the company. They increased from 61c in 1947 to $1.19 in 1950 — then stayed around that level for the next four years. During 1950-54 the stock advanced from 10¼ to 24½ but the failure of share earnings to increase apparently caused the common to lose its earlier reputation as a "growth stock." The stock has been unable to re-attain its 1954 high of 24½ in later years, falling short about a point in each of the past three years despite an increase in earnings to $1.51 last year and an increase in the dividend rate from $1 to $1.20. At the recent low around 20½, the stock yielded 5.8%

The somewhat disappointing trend of earnings seems due in part to a decline in the rate of return on invested capital, which has declined from around 6% in 1949 to about 4.6% currently (Standard & Poor's figures, based on year-end balance sheets). Using a more exact formula with a mid-year rate base, it is estimated that the company last year earned about 5.4% on the electric investment and 3.6% on the gas division, for an average of 5.0%; however, with the interest credit on new construction included in earnings, the overall return increased to 5.4%. For the twelve months ended June 30, the figure approximates 4.75%, or 5.1% including the interest credit. Considering current high money rates and the general opinion that "fair return" should be raised to the 6½% level, present low earnings would seem to justify a rate increase, but the company has made no move in this direction.

Share earnings for the twelve months ended June 30, 1957 were only $1.43 compared with $1.54 in the pervious period. This decline appeared due to the effect of relatively warm weather on gas sales earlier this year, while the absence of any prolonged hot weather this summer has doubtless retarded air-conditioning sales. It appears likely that earnings for the calendar year 1957 will make a better showing and that 1958 will show still further inprovement in share earnings.

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UTAH POWER & LIGHT CO.

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Halsey, Stuart Group Offers Pacific Tel. & Tel. 5% Debentures

Halsey, Stuart & Co. Inc., as manager of an underwriting syndicate, yesterday (Aug. 1) offered $90,000,000 of Pacific Telephone & Telegraph Co. 23-year 5⅛% debentures, due Aug. 1, 1980, at 102.387% and accrued interest, to yield 4.95%. The underwriters won award of the debentures at competitive sale on Aug. 20 on a bid of 101.639%.

Net proceeds from the sale of the debentures, together with proceeds from the proposed sale in September of 1,822,523 additional common shares by subscription by its stockholders, will be applied by the company toward the repayment of advances from its parent organization, American Telephone & Telegraph Co., and toward the cost of its construction program.

The debentures are to be redeemable on or after Aug. 1, 1962 at optional redemption prices ranging from 107.387% to par, plus accrued interest.

The Pacific Telephone & Telegraph Co. is engaged in the business of furnishing communication services, mainly local and toll telephone service, in California, Oregon, Washington and the northern portion of Idaho. Its wholly-owned subsidiary, Bell Telephone Company of Nevada, furnishes such services in Nevada. On March 31, 1957, the company had 6,325,809 telephones in service, of which about 34% were in Los Angeles and vicinity and about 23% in San Francisco and vicinity, and its subsidiary had 42,830 telephones in service. Services of the company and its subsidiary also include teletypewriter exchange service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

Vincent Cioffi Joins Evans, MacCormack Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Vincent Cioffi has become associated with Evans, MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Cioffi has recently been in the investment business in Florida. Prior thereto he was an officer of G. F. Rothschild Co., Inc. of New York.

Joins Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Milton S. McEvers has joined the staff of Hill Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly with Calin-Seley & Co.

With Marache Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Michael S. Berry has been added to the staff of Marache, Dofflemyre & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange.

Neary Purcell Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold T. Collins has become affiliated with Neary, Purcell & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Collins was previously with Akin-Lambert Co., Inc.

Continued from first page

Inflationary Spiral Not Due To "Administered Prices"

in the selling price of a product that is faster than the rise in the cost of production will result in an increase in profit, both in absolute terms and as a percentage of cost. On the other hand, if the cost of a product rises faster than its price, the producer will be faced with a price-cost squeeze that will reduce his profit. A discussion of the role of administered prices in the economy, therefore, should also consider the cost side of the picture.

For industrial producers, costs of production other than overhead fall essentially into two categories: wages and materials. The cost of materials, looked at from the point of view of the materials-producing firm, can in turn be broken into wages and materials. Traced back to the earliest stages of production, materials costs can be resolved into wage costs, on the one hand, and the costs of the products of the agricultural and/or mineral industries, on the other hand. Even in the mineral-producing sector, a substantial proportion of direct costs again is wage cost, but in agriculture, although the farmer's income pays him for his labor, among other things, it is not usually paid as a wage.

Wage and Price Changes

In its simplest form, the argument that administered prices have had a major role in producing the present inflation is derived from the belief that producers who are able to control the selling price of their products have taken advantage of wage increases as an excuse to raise prices even more. For industrial producers as a whole, this form of the argument in easily shown to be not true. Since the period 1947-49, for instance, average hourly earnings in manufacturing have risen 49%,[1] whereas the prices of manufactures have risen only 20%.[2]

There is, of course, good reason why wages should rise faster than prices. The rising productivity of American industry should make possible substantial wage increases without raising wage cost per unit of product for the producer. Recognizing this, the argument can be amended to suggest that administered prices have gone up more than wage cost per unit of output, thus taking productivity changes into account. Examining the data in these terms, it appears that during the Korean boom prices of manufactures did rise faster than wage cost. Through 1951, prices of manufactures rose 14%, and wage cost in manufacturing by only 11%.[3] There can be little doubt that in this period manufacturers did take advantage of the increase in demand afforded by the boom to raise prices. Whether producers in administered price industries took advantage of the demand increase more than competitive producers, only a more detailed investigation would reveal. Since that time, however, the reverse has been true. Wage costs have continued to rise, but manufacturers have not raised their prices to match the increase in wage costs. Wage costs have risen 14% since 1951, but prices of manufactured goods have risen only 6%.[3] The statistics with respect to wage costs and prices in the recent period, therefore, do not bear out the contention that manufacturers as a group have managed to force prices up more than might be expected in terms of the rise in wages, even when

1 "Productivity, Prices, and Incomes," Materials prepared for the Joint Economic Committee, 85th Congress, 1st Session, July 1957, Table 43, p. 135.

2 *Ibid.*, Table 39, p. 125.

3 See Table 1.

TABLE I

Wages, Output, and Prices in Manufacturing

Year	Wage Bill (Billions)	Indexes, 1947-49=100: Wage Bill	Output	Wage Cost	Wholesale Prices (Manufactures)
	(1)	(2)	(3)	(4)	(5)
1947	$44.5	95.9	100	95.9	96.1
1948	48.6	104.7	103	101.7	103.5
1949	46.1	99.4	97	102.5	100.5
1950	52.5	113.1	113	100.0	103.6
1951	62.4	134.5	121	111.1	114.3
1952	67.3	145.0	125	116.0	112.3
1953	74.7	161.0	136	118.4	112.1
1954	71.0	153.0	127	120.5	112.9
1955	77.8	167.7	140	119.8	113.6
1956	(83.3)	(179.5)	144	124.6	117.9
1957 (1st quarter)	(86.6)	(186.6)	147	126.9	121.0

Column 1: "Productivity, Prices, and Incomes," Table 31, p. 115. 1956 and 1st quarter 1957 estimated on the basis of percentage change in total compensation of employees, as shown in Table 10, p. 96.
Column 2: Index of Column 1.
Column 3: Ibid., Table 1, p. 85.
Column 4: Column 2 divided by Column 3.
Column 5: Ibid., Table 39, p. 125. 1957 figure refers to January only.

TABLE II

Value of Net Output of Corporations and Corporate Profits

Year	Value of Net Corporate Output (Billions)	Corporate Profits (Billions)	Corporate Profits As A Percent. of Net Output
	(1)	(2)	(3)
1947	$104.7	$29.5	28.2
1948	120.3	32.8	27.3
1949	115.4	26.2	22.7
1950	131.6	40.0	30.4
1951	151.4	41.2	27.2
1952	156.4	35.9	23.0
1953	165.7	37.0	22.3
1954	160.0	33.2	20.8
1955	178.6	42.7	23.9
1956	(197.5)	43.7	22.1
1957 (1st quarter)	(205.8)	46.5	22.6

Column 1: "Productivity, Prices, and Incomes," Table 11, p. 98. 1956 and 1st quarter 1957 estimated on the basis of total national income originating, as shown in Table 10.
Column 2: Table 21, p. 103.
Column 3: Column 2 divided by Column 1.

productivity changes are taken into account. This does not mean, of course, that prices have not gone up faster than wage costs for some industries or for some producers. Nevertheless, such producers cannot be said to be a major element in manufacturing industry as a whole, or else their actions would be reflected in the statistical totals for all industry.

The fact that prices have gone up more slowly than wage costs since 1951 can in large part be attributed to the decline in the second major element of the cost of manufacturers, namely the raw materials provided by farmers. Thus in the cotton textile industry, for instance, rising wage costs were to some degree offset by lower materials costs. Thus, the argument relating to the contribution of administered prices to the inflation can be further amended to suggest that producers have raised selling prices more than the rise in their costs would justify, considering the leeway that the decline in farm prices has given manufacturing producers to offset their increasing wage costs. If such has in fact been the case, we would expect to see the profits of producers growing faster than their output, so that profits would become a larger share of output over the period. Briefly stated the situation would be as follows. Selling prices of producers would be rising faster than the sum of their wage and material costs. Coupled with the increase in output which actually occurred, this would mean that profits would increase both because the gap between price and cost was widened and because total output was rising.

A look at the actual data reveals that in the years prior to the Korean boom corporate profits ranged from 27 to 30% of corporate net output. Since 1951, however, corporate profits have risen more slowly than output, increasing by only 11 & while the value of corporate net output rose by 36%. Corporate profits, therefore, have dropped in recent years to 22 or 23% corporate net output, indicating that since 1951 prices have risen somewhat more slowly than direct costs.[4] Again, it is quite possible that specific producers, and even entire industries, may not have followed this pattern. I am sure that cases can be found where selling prices have risen more than direct costs. But it cannot be said that these cases either are typical of manufacturing taken as a whole or account for the major price movements in our economy, since they do not dominate the total.

Some Say the Opposite

Some economists and businessmen contend that industrial prices, instead of being responsible for higher prices, are rather a major element in keeping prices down. They argue that the use of depreciation based on original cost tends to obscure the fact that a sizable part of business profits at the present time is due to the capital gains that are being realized on assets purchased at lower prices in the past. Operating profits of companies computed taking replacement cost into account would be much smaller. It is further argued that in a competitive situation prices would have been forced up to the point where a normal profit could be earned on new investment. Thus in some industries, the suggestion is that prices have been administered so as to keep them as low as possible, with the result that at current prices there is inadequate incentive to expand output to meet demand.

Irrespective of the merits of this last view, it is not possible to maintain, in view of the statistical evidence, that administered prices have been primarily responsible for the inflationary spiral. Rather, wages have risen faster than productivity, and even when this has in some decree been offset by falling agricultural prices, corporate profits have not increased relative to the value of corporate net output.

Examines Price Index Intensively

The picture can be somewhat clarified by looking at the behavior of the various components of the consumer price index. During the period from 1947-49 to the Korean boom, all the major components moved upward. Even agricultural prices rose with the increase in demand, such that in 1951 food prices were some 13% over the 1947-49 average. The component of the consumer price index which rose least was apparel. It moved up only 7%, reflecting a basic change in the buying habits of the American public, coupled with depressed world textile markets. As those in the textile industry know only too well, clothing no longer accounts for as high a percentage of consumer expenditures as it did several decades ago. The prices of most of the other componets of consumer expenditures rose some 10 to 13% during this period. The only major component showing a larger increase was transportation (both public and private). Private transportation (that is automobiles and the cost of running them) rose 17%, but public transportation (streetcars, buses and railroads) rose over 30%. Except for this substantial price rise in public transportation, the disparity of price behavior was not wide. Throughout the economy, the response to the increase in demand was a general rise in prices.

The situation since the Korean boom has been in very marked contrast to what went on before. The consumer price index as a whole rose about 7% in this period. An examination of the individual components of consumer prices indicates that two elements rose substantially more than the others. These were public transportation (again), which rose about 34%, and medical care, which rose over 22%. Neither of these components can be considered to have privately administered prices, at least in the usually accepted meaning of the term. Fuels rose almost 20%, and it is especially interesting to note that over half of this increase has taken place in the last year, reflecting, of course, the impact of Suez on fuel oil prices.

This may or may not be a case of privately administered prices in the sense covered in this inquiry. Certainly the situation differs from that in other industries in that it followed upon a special increase in demand, and it is problematical whether such a spurt in price would have taken place without the Suez crisis. Suez apparently even affected the price of coal, through its substitution for oil. The price of coal had risen only 3% from 1951 to early 1956, but it rose about 10% in the last year. The next largest increase was in rent, which rose almost 19% from 1951 to the first quarter of this year.

Again, it is difficult to conceive of rent as a price administered privately by large companies. The next largest increase, 15%, was in

Continued on page 26

[4] See Table 2.

ENERGY makes the WEST GROW

The all-round growth of the nine Western States served by El Paso Natural Gas Company and its subsidiaries continues to accelerate, consuming energy at an unprecedented rate.

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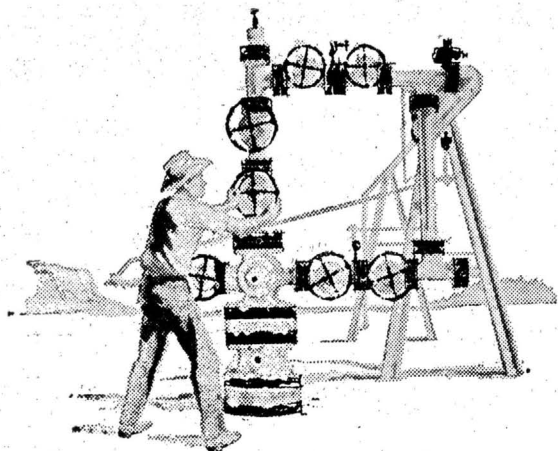

El Paso Natural Gas Company and its subsidiaries serve California, West Texas, Arizona, Idaho, Nevada, New Mexico, Oregon, Utah and Washington.

EL PASO NATURAL GAS COMPANY

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Continued from page 25

Inflationary Spiral Not Due To "Administered Prices"

household operation. The major components of this category are dry cleaning, laundry, soap and detergents, telephone, and water rates. The only one of these that might be considered to arise in an industry with privately administered prices is soap and detergents. But the detailed price data for this group show that its prices rose only 5% from 1951 to 1957. Thus the other elements of household operation were responsible for the larger price increase, and including soap and detergents actually reduces the price increase shown for this group as a whole. These five components of consumer prices (public transportation, medical care, fuel, rent, and household operation) constitute less than 30% of consumers' budgets, yet together they were responsible for raising the cost of living by almost 6%, and this amounted to over 85% of the total rise in consumer prices. In contrast, the goods and services which constitute the remaining 70% of consumers' budgets contributed less than 1% to the increase in the cost of living since 1951.

Least Rise

Examination of those elements of consumer prices which rose least during the period from 1951 through 1956 brings out some additional points that are relevant to this question. One category, house furnishings, showed an absolute drop of approximately 6%. This drop reflects two influences. First, that part of house furnishings composed of textiles dropped sharply in price. This price behavior in part reflects the relatively depressed state of the textile industry, and of agriculture in general. But secondly, house furnishings also include the major household appliances, and here the rise in wage cost was offset in some degree by increases in productivity. Prices in this sector have therefore not had to cover wage increases to the same extent that they have in industries such as services where productivity increases have not been as great.

The house furnishings category includes a great many products that can be classed as price-administered—more, probably, than any other component of consumer budgets except private transportation. Its behavior, again, fails to support the contention that industrially administered prices have forced up the cost of living. One other category, apparel, registered a very slight price decline over the period. The fall in raw material costs combined with technological changes probably balanced the increased wage costs so that price increases did not materialize. Food prices also remained virtually unchanged. This again can be attributed to two influences. Agricultural prices have fallen, but wage costs in the food processing industries have risen, with the result that final prices to the consumer have remained about constant. All of the other major components of consumer prices rose during this period, but one other category rose less than the average. Private transportation rose about 6%. Again as with household appliances, the behavior of the price of private transportation does not bear out the generalization that administered prices are responsible for the inflationary spiral.

Services Have Risen

If there is any general pattern to be found in these price changes, it is that service items in consumer budgets have risen whereas commodities have not. Dividing the consumer budget into these two groups, the data show that since 1951 services have risen 21% in price, and commodities have risen only 2%.[5]

The data on wages, prices of manufactures, corporate profits, and the various components of consumer prices thus present a consistent picture. They do not lead to the conclusion that the price rises in the period since the Korean boom can be attributed primarily to the presence of administered prices in the economy—at least not in the sense of prices privately administered by large companies. Manufacturers have not passed on to the public the full effect of the increases in their costs, and corporate profits have not increased as a share in the value of output. This result should not, of course, be attributed to virtue and restraint on the part of big companies, but rather to the general softness of the economy as a whole, and the lack of demand strong enough to support price increases of the sort that occurred during the Korean boom. The behavior of the individual components of the consumer price index also bears out this same conclusion, since the elements that have risen fastest are either personal services or public utilities.

Costs Rose Faster Than Prices

What the data for the period since 1951 do indicate is that costs, and in particular wage costs, have been rising even more than prices. Wages have risen faster than real output. In real terms, gross national product has risen about 11.5% in the five years since 1951, or about 2% a year. In contrast, wages rose 32.5% in the same period, which is a rate of almost 6% a year. Thus the increase in productivity has not matched the increase in wages, and the result has been a rise in costs. These rising costs, however, have not been accompanied by an excessive demand for goods. The economy has not faced significant shortages. In fact, in 1954, when an actual fall in demand occurred, gross national product in real terms declined at the same time that the gross national product price deflator rose. Despite the fall in output, prices continued to rise in many sectors of the economy, with the result that the gross national product price deflator in 1954 was greater than in 1953, although the gross national product represented a smaller amount of real goods. The lack of demand pressure accompanying the price rises indicates that the price increases have not been due to inflationary pressure from the demand side, but rather to rising costs. The economy can be said to be soft, in two senses. It is not delivering the kinds of productivity increases that could be expected, given the rate of increase of technological knowledge, and a number of industries have been operating substantially below capacity for a considerable part of the last five years.

[5] "Productivity, Prices, and Incomes", p. 131.

TABLE III

Components of the Consumer Price Index

(1947-49=100)

	1951	1st Quarter 1957	Percent. Change 1951-1957
All items	111.0	118.6	+ 6.8
Food	112.6	113.2	+ 0.5
Apparel	106.9	106.5	— 0.5
Housing	112.4	124.4	+10.7
Rent	113.1	134.3	+18.7
Gas and electricity	103.1	112.4	+ 9.0
Fuels	116.4	139.1	+19.5
House furnishings	111.2	104.6	— 5.9
Household operation	109.0	125.7	+15.3
Transportation	118.4	134.4	+13.5
Private	116.6	124.0	+ 6.3
Public	131.0	175.5	+34.0
Medical care	111.1	135.7	+22.1
Personal care	110.5	122.5	+10.9
Reading and recreation	106.5	110.1	+ 3.4
Other	109.7	124.0	+13.0

SOURCE: Monthly Labor Review, May 1957, Tables D-1 and D-2, pp. 660-661. The breakdown of transportation for 1957 is given in the Survey of Current Business, June 1957, p. 86. The breakdown of transportation for 1951 was obtained from Consumer Prices in the United States, 1949-52, U. S. Dept. of Labor, Bulletin No. 1165, p. 64.

Examines Proper Policy

Nevertheless, the attempts to stop the price rise that have been made so far have employed primarily policies that are appropriate for demand inflation, rather than for rising costs. Specifically, it is argued that the economy is spending too much, and that what is required is monetary controls to prevent consumers from overspending. In the present situation, such policies can only succeed in stopping the price rise if they prevent wages from continuing to rise faster than productivity. In a situation where businessmen expect good profits, are making investments that will yield increases in productivity, and generally believe in expanding markets, they are apt to give in to labor's demands for wage increases. Labor, similarly, is likely to make significant demands, on the ground that such wage increases are justified given the level of profits and the optimistic expectations of the future. To stop the wage rise by monetary means, it is necessary to reverse these expectations, to make businessmen hesitant about giving wage increases and labor less insistent about asking for them. But such a result is not healthy for the economy either. It not only will retard wage increases, but because it makes businessmen pessimistic about the future they will be unwilling to undertake investments to increase productivity and provide for growth.

When a price rise is not accompanied by excessive demand, tight money can achieve stability of prices only at the cost of reducing the rate of growth of the economy and perhaps risking stagnation. There is no assurance that a tight money policy will slow down the increase of wages more than it will dampen productivity increases and the investment needed to provide for an expanding output. In fact, if productivity is more sensitive than wages to depressed conditions, a tight money policy may in the initial stages before it results in unemployment not reduce the price rise at all, but rather, by retarding productivity gains more than wages, cause an actual increase in wage cost which in turn will necessitate additional price rises. Thus a tight money policy at the present time may well be self-defeating. The very elements that permit wages to increase are the same things that stimulate investment and increase productivity. The use of monetary policy to prevent wage increases may also kill the goose that lays the golden egg.

Job Data Are Poor Guide

Much of the misinterpretation of present conditions that has led to the advocacy of a tight money policy has arisen because of the tendency to use the level of unemployment as an indicator of how close to full capacity the economy is operating. The developments of modern industry in recent years have made unemployment a less reliable measure of this than it may have been in the past. A larger proportion of industrial employees have technical or supervisory functions that have arisen with increasing mechanization and automation. Less and less does industry rely on the unskilled operative who can be laid off directly with a drop in output. These technical and supervisory employees who are required to keep a plant operating are often hired on a salary basis, and even when they are on a wage basis they cannot be dispened with when output drops by 10 or 15%. Similarly, an increasing utilization of the capacity of a plant no longer necessarily requires the hiring of additional operatives.

Frequently the rate of output can be stepped up with no significant increase in the labor force. In view of these factors, it is no longer correct to assume that because the level of unemployment is low the economy is operating at full capacity and realizing its potential rate of growth. Very significant changes in output can take place with minor changes in the level of unemployment. Thus, for example, between 1949 and 1950 unemployment dropped only from 5.5 to 5.0% of the labor force. Judging the level of output of the economy in terms of unemployment, one would not have expected output in 1950 to exceed that in 1949 by much more than 2%, since this is the average annual change in the gross national product in real terms that has resulted from increases in productivity and growth of the labor force. Between 1949 and 1950, however, real output actually rose 10%. In other words, given sufficient stimulus, expansion of real output can take place without requiring an equivalent expansion in productive resources.

This example is all the more striking, of course, since the stimulus to greater production did not occur until the middle of 1950. The year 1956 also affords an interesting example of the lack of a direct relation between the level of unemployment and the performance of the economy as a whole. In 1956, the level of unemployment continued to fall slightly, to less than 4% of the labor force, but at the same time there was no increase in output per manhour in the nonfarm sector of the economy. Judging by the unemployment level, 1956 should have been a year of high performance—yet in terms of the growth of productivity it must be considered a very poor year, since output per manhour failed to rise at all.

Monetary controls, of course, do have a proper role to play. They can be used very effectively on a selective basis in instances where demand is excessive. Thus overstimulation of the construction industry might well be handled by monetary controls. Excessive consumer purchasing power may be handled by consumer credit restrictions. And investment booms beyond the capabilities of the economy to meet may be held in check. Again, however, I would like to emphasize that these are not the circumstances of the present time.

Stable Prices and Growth

I do think that under present conditions price stability and a high rate of growth of the economy are compatible, and can be achieved without undue government interference or control. But tightening the money supply to soften the economy still further is no solution. Instead, I think we need to make a concerted effort to increase productivity so as to provide a level of growth that can support an ever-increasing standard of living. There are many means that can be used to achieve such a result. I personally do not feel that more concessions in terms of such things as lower corporate profits taxes are necessary in order to stimulate investment. On the other hand, such devices as accelerated depreciation, or tax concessions for investments that increase productivity, might well have a desirable influence. In certain areas, it may be that demand should be stimulated so that the available resources are more fully utilized; such increases in demand would also encourage producers to make investments that would raise productivity.

In the last analysis, the price rises in the present period can really be laid to the fact that we do not have sufficiently rapid economic growth, and are not maintaining the rates of increase that could be achieved—and are being achieved in some other countries. There are risks, of course, to an expansionary program. Demand should not be allowed to expand to the point where it cannot be filled by normal growth. It is in this connection that monetary controls can be useful as a restraining influence, but we should aim for a higher rate of growth than we have been obtaining in recent years.

Monopolistic Pricing Considered

My discussion up to this point has centered around the relation (or lack of relation) of administered industrial prices to the recent price rises. But the question of administered prices goes deeper than this. In a dynamic economy, it may be possible for producers in monopoly positions, even without increasing prices, to retain for themselves more of the fruits of productivity increases than might seem justified, either on ethical grounds or in comparison with what they would receive under freely competitive conditions. Such a situation might go undetected because it would not be reflected in an absolute price rise, but might instead be hidden in a smaller price drop than would otherwise have occurred.

The general charge that has been made against industrially administered prices is that they prevent satisfactory adaptation to changing economic conditions, whether these are productivity changes or changes in the level of demand. In the 1930's, for instance, the inflexibility of producers in adjusting to economic conditions was a matter of great concern. Particular attention was directed to the failure of administered prices to fall as much as prices in the non-administered sectors. On examining this evidence and making some calculations of my own, I personally came to the conclusion that this situation could be explained on grounds other than the inflexibility of administered prices.

Specifically, the administered price industries were also the industries where direct costs were primarily wage costs. To the extent that materials entered, they were largely materials from the mineral industries, which in turn faced large and relatively inflexible wage costs. In contrast, the industries that were considered not to have administered prices were in general those processing agricultural materials with a relatively small proportion of labor cost, such as food processing and textiles.

In brief, I could find no support for the conclusion that prices were more inflexible in the administered price industries. In-

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stead, I found that in all industries prices tended to move quite closely with direct costs. In industries using agricultural raw materials, the greater fall in the prices of these agricultural materials than in wages permitted prices to fall more than wages. In industries where this influence was not present, prices fell roughly in proportion to wages.

I do not think, however, that this analysis of the 1930s is particularly relevant to the situation today. The economy has changed a great deal since then; there have been many changes in institutions, tax laws, and so forth. Furthermore, the analysis of the 1930s referred to a period of decline in economic activity and lack of productivity increase. Today, in contrast, technological change is taking place very rapidly in some sectors of the economy. The manner in which these technological changes are exploited may well depend in part upon the role of the administered price industries in the economy and the influences bearing upon them. I have not as yet seen any evidence regarding the behavior of these industries with respect to technological change: whether they exploit it to the full, or whether by neglecting potential productivity increases they keep growth below the rate it might reach in a more competitive institutional setting.

Future Trend

In looking to the future, also, the behavior of the administered price industries may be important in determining the effect of both technological change and changes in institutional forms. For instance, such developments as increasing automation, or the introduction of some form of guaranteed annual wages, can be expected to increase fixed costs, and thus give the producer an even greater stake in the stability of prices and output. Whether his actions under such a set of circumstances would be in accord with the best interests of the economy, as well as maximizing his own profits, is a question that would require further study. Again, I do not think that the evidence I have cited for the 1930s, or even that for the present period, is very relevant to these issues. I would hope that the Antitrust and Monopoly Subcommittee might concern itself with this question, and might investigate the feasibility of different kinds of solutions. It cannot be taken for granted that the combination of such developments as these with present forms of institutions will automatically work out in a way that is equitable for all groups concerned and at the same time is beneficial for the economy as a whole.

This discussion of industrial pricing has been cast in terms of wages, profits, and consumer prices, and thus implicitly has considered the interests of labor, business, and consumers. Agricultural prices have been mentioned in passing, but something more needs to be said of the farmer's stake in this problem. Industrial price and wage policy has had a considerable impact upon farm prices, and so on the farmers' share of total output. The effect of rising wage costs upon prices has been modified by the fall in the prices of agricultural raw materials. What price stability we have had, therefore, has been largely at the farmer's expense; he has faced rising industrial prices with falling income. Certainly, any consideration of future industrial pricing ought to take into account not just the relationship between wages and profits, but also the role of the farm sector. Not to do so may mean that, as is the case now, business and labor together achieve their gains at least in part at the cost of squeezing the farmer.

Generalizing From the Individual

In closing, I would like to point out again that it is, of course, quite possible for individual producers or groups of producers to use a monopoly position to obtain an unfair advantage without having any apparent effect upon prices for the economy as a whole. In terms of the gross national product and the general price level, these producers might account for too small a fraction of the total to have a general effect, yet they might still be engaging in socially unacceptable behavior that should be restrained. In such a case, the ability of a monopoly to manipulate price in its own favor can be looked upon as an ethical, rather than an economic problem.

Although I have indicated that I do not think that administered prices have a substantial effect upon the economy, I do not deny that they can exist in specific instances, and that in these cases they may be quite unjustified. In some areas, individual monopolies take on almost the nature of public utilities. In public utilities we recognize that a monopoly form of organization is most efficient, and grant franchises accordingly. But the companies granted the franchises are not permitted to charge whatever prices they choose, or the prices that would maximize their return. Instead prices are regulated in accord with some standard of fairness and justice, taking into account the necessity both for return to the producer and for equitable prices for the consumer.

As our economy grows, the advantages of monopoly organization in various areas of economic activity may increase. However, to allow this to happen and not to introduce suitable restraints to prevent the exploitation of this power is unjustified. In these terms, I think that the Subcommittee has a very real need to examine and evaluate the role of monopoly in the various areas of the economy.

Sam Smaller Opens

HOWARD BEACH, N. Y.—Sam Smaller is engaging in a securities business from offices at 152-06 Cross Bay Boulevard.

IRE Investors Serv.

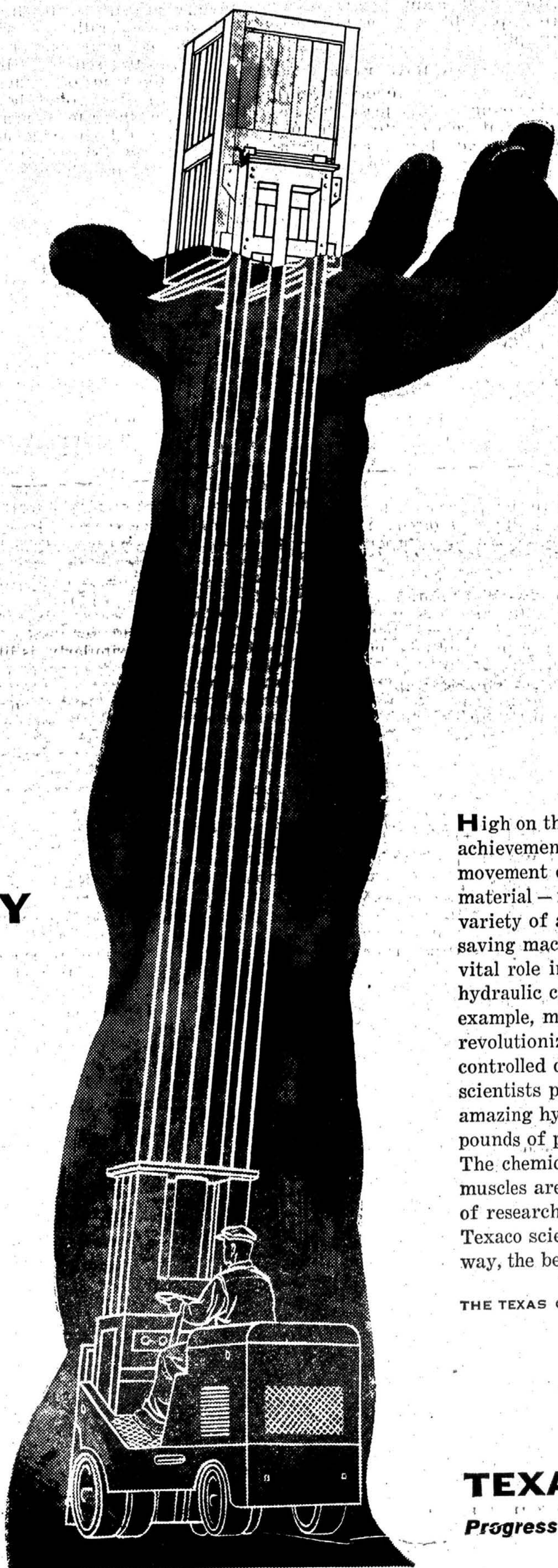
KINGS PARK, N. Y.—Peter J. Comerford, Jr. and George R. Venezia have formed IRE Investors Services with offices at 18 Norma Lane to engage in a securities business.

Thomas J. Kearns Opens

BROOKLYN, N. Y.—Thomas J. Kearns is conducting a securities business from offices at 57 Kinckley Place.

Krug Associates

JAMAICA, N. Y.—Krug Associates, Inc. is engaging in a securities business from offices at 138-54 Ninety-fourth Avenue.



LIQUID MUSCLE FOR INDUSTRY

High on the list of American business achievement stands the swift efficient movement of millions of tons of material—made possible by an endless variety of automatic, time-and-labor saving machinery. Petroleum plays a vital role in this development. In the hydraulic cylinders of lift trucks, for example, move petroleum liquids that revolutionized the art of fast, cost-controlled distribution. Texaco scientists pioneered in creating these amazing hydraulic fluids which change pounds of pressure into tons of lift. The chemical sinews of these liquid muscles are the result of a partnership of research and industry in which Texaco scientists daily seek the new way, the better way.

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Continued from page 3

The Gold Standard— Retrospect and Prospect

sterling for generations — thus taking a loss of from 2 to 3% on the gold itself. And it did that for just one reason, namely: When the Bank of England had issued a paper money claimed to carry a definite value in terms of gold, the Bank of England had the honesty and integrity to see to it that the paper money be maintained **as good as gold.**

Adam Smith also voices in that authoritative book some strong sentiments against ever tampering with the value of a nation's currency, once that value has been duly established. Here are the exact words of an oft-quoted passage from his book:

Cites Adam Smith

"The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment."

Perhaps the most outstanding violation of the precept laid down by Adam Smith in that paragraph was committed by the United States in the 1930's when the denomination of our $20 gold piece was dishonestly raised to $35, approximately. And the inflation that this country has experienced throughout the past quarter-century can be charged more to that New Deal trickery than to any other reason for the outlandish prices we are paying today for everything we buy—with the possible exception of cough-drops and chewing-gum.

Traces the U. S. Dollar

To fully understand the financial position of the American Dollar today, as compared with its status prior to 1933, it seems best to delve into the history of the Dollar from the founding of this nation right down to the present time. In this endeavor, a comprehensive, chronological summary of the opinions of our most outstanding monetary experts will be presented—starting with the first Secretary of the Treasury, Alexander Hamilton.

It has been said that prior to 1789 a Spanish silver coin had been used by the American colonists, and that that coin supplied the pattern for our Silver Dollar. Be that as it may, the fact remains that Alexander Hamilton, in 1792, was instrumental in establishing the American Dollar as a specie-backed currency—backed in terms of both gold and silver. The values decided upon, and adopted, were as follows: 412½ grains of silver, 0.9 fine, per dollar; and 24.75 grains of fine gold per dollar. Simple arithmetic will disclose that the original Dollar contained 371.25 grains of pure silver. And since this original plan called for an inter-relationship of 15 to 1 as between gold and silver—that gold was to be regarded as 15-times as valuable as silver—the Dollar was given a value of 24.75 grains of fine gold, or just one-fifteenth of the weight of the silver content of the Dollar.

Under that original set-up, the U. S. went forward from 1792 for about 40-years without any change, whatever, in those original values—which is strictly in accord with the gold-standard principle of **fixity of value.** It may well be added right here that the only other basic principle of the Gold Standard is **redeemability on-demand,** a privilege that has been denied to the American people ever since the New Deal took over in 1933, but which has never been denied to foreign nations and their banks—since those foreign agencies continue to enjoy the privilege of converting their American dollars into gold at the U. S. Treasury at $35 per fine ounce of gold.

Basic Principles

But getting back to the original set-up—in the early 1830's someone conceived the idea that the 15 to 1 relationship wasn't quite right, and that it ought to be 16 to 1, instead. And that appears to have had some merit—at any rate Congress legislated that change into being by slightly lowering the gold-weight of the Dollar from its original 24.75 grains to 23.22 grains of gold, resulting in the well-known official price of $20.67 an ounce, which went into effect in 1837 and was never changed one iota until 1933—strictly in accord with the **honest** basic principle of "fixity of value." And, with the exception of the Greenback era (1861 to 1879), the American dollar, regardless of who its owner might be, was "redeemable in gold, on demand" at $20.67 an ounce throughout those many years. Just why these historic basic principles of **honest money** were entirely ignored in 1933—principles that had been so religiously adhered to by both Democratic and Republican administrations prior to that infamous date—is difficult to understand.

Again, in the 1830's when paper-money was being given a good going-over in the U. S. Senate, Daniel Webster delivered (Feb. 22, 1834) a most instructive Address, which carries the title "A Redeemable Paper Currency" among his published addresses. On that occasion Mr. Webster voiced these words of wisdom as to what constitutes an **honest** currency: "I know, indeed, that all paper ought to circulate on a specie basis; that all bank-notes, to be safe, must be convertible into gold and silver at the will of the holder." He further declared paper-money to be: "the representative of gold and silver; it serves the purposes of gold and silver; and when so sustained, it is the cheapest, the best, and the most convenient circulating medium." He then continued: "I have already endeavored to warn the country against irredeemable paper; against the paper of banks which do not pay specie for their own notes; against that miserable, abominable, and fraudulent policy, which attempts to give value to any paper of any bank, one single moment longer than such paper is redeemable on demand in gold and silver."

It seems safe to assume that the action taken by Congress in establishing the official-price of gold at $20.67 an ounce, in 1837, was largely the result of that strong stand-for-honesty by the Great Webster; and that he, especially, upheld the principle of **redeemability** — that all paper-money should be maintained "as good as gold." And in this latter, Webster no doubt received strong support from his fellow-Senator, Thomas Hart Benton, who, according to Funk & Wagnall's "New Standard Encyclopedia" "earned the sobriquet of 'Old Bullion' by his opposition to irredeemable currency."

Greenback Era

After that slight change in the gold-content of the Dollar, in 1837, our currency seems to have weathered the storms pretty well for about a quarter of a century. But, in 1861, with the Civil War upon us, and with heavy demands upon the Treasury, some people started to hoard gold. And in order to conserve our gold supply for the benefit of **all** the people, instead of just a few, our Government temporarily withdrew the privilege of **redeemability**—which policy continued until 1879, a period known as the "Greenback" era. That policy, however, was terminated by the "Resumption Act of 1875" which restored the Dollar to a true Gold Standard as of Jan. 1, 1879. Senator John Sherman, later to become Secretary of the Treasury under President Hayes, in 1877, was chief sponsor of that "Resumption Act." And our "modern Republicans" might be interested to know that John Sherman was one of the founders of the Republican Party in the 1850's.

Praises Andrew D. White

It can be stated, without fear of contradiction, that no man ever did more to uphold the honesty and integrity of the American dollar than Andrew D. White.

First as to Mr. White: He was born at Homer, N. Y., in 1832, in a family comfortably situated, economically; started his college career at Hobart College, later transferred to Yale, and graduated with high honors in 1853. His first assignment after graduation was appointment as attache' at St. Petersburg, Russia; he then returned to the United States, taught History at the University of Michigan—and served one or two terms as Senator in the New York State legislature. It was at Albany that he became acquainted with Senator Ezra Cornell—out of which acquaintance grew Cornell University. As testifying to the greatness of Andrew D. White, an oil painting of him adorns the wall of the Yale Commons, along with the other "Greats" of Yale University.

While on that original "assignment" in Europe, Dr. White was able to further pursue his favorite objective, namely, to acquire as much knowledge as possible. Being keenly interested in History, he delved into the facts of the French Revolution—and he paid particular attention to the type of money that France used at that unfortunate period. From that study Dr. White became convinced that one of the greatest curses which can be foisted upon mankind by its political leaders is irredeemable paper money—such as was inflicted upon the United States by the New Deal, in 1933, and which "modern Republicanism" still allows to circulate as though it were **real** money. That **dishonesty** prompted this article.

Based upon that study of what irredeemable paper-money did to France in the 1790's—and, I might add, did to Germany after his death, in the 1920's—Dr. White developed those facts into his monetary masterpiece "Fiat Money Inflation in France"; and that effort by Dr. White not only helped John Sherman get favorable action on his "Resumption Act of 1875," but also greatly aided in the election of William McKinley as President in 1896 on a gold-standard Platform—thereby defeating William Jennings Byran's attempt to gain the Presidency in that great "Gold Standard vs. Free Silver" campaign of that year. To Men-of-Yale, to my Fellow-Cornellians; and to the American people in general, I say: Hats off to Andrew Dickson White!

While space prevents going into details as to the many facts brought out by Dr. White in his promotion of the cause of Sound Money, I will here confine myself to one brief passage from his "Fiat Money Inflation in France" (p. 69), which pretty clearly sums up what is bound to happen to nations that resort to irredeemable paper money. Following are his words:

Quotes a Brief Passage

"Every other attempt of the same kind in human history, under whatever circumstances, has reached similar results in kind if not in degree; all of them show the existence of financial laws as real in their operations as those which hold the planets in their courses."

While a reprint of Dr. White's book was used effectively in promoting success by the Republican Party in 1896, it should not be overlooked that a great Democrat, President Grover Cleveland, probably was a factor in that result; for a biographical sketch of Grover Cleveland credits him with having "upheld the gold standard, almost alone" during his second term as President. But since the great majority of our Presidents from 1860 until 1933 were Republicans, it seems fair to say that the Gold Standard was essentially Republican policy.

It was Senator Henry Cabot Lodge (the elder) of Massachusetts who demanded of the Republican leader, Mark Hanna, that a gold-standard plank be included in the Platform of 1896; and it was Mr. Lodge who actually drafted that plank. Also it was Senator Lodge — at Canton, Ohio, in 1900, where he was the Party's representative delegated to notify President McKinley that he had been nominated as its candidate to succeed himself in that high office — who, in that notification address, referred to the Gold Standard as "the cornerstone of our economic structure." That being a truism—as all fair-minded men must admit — it is abundantly evident that for the past 25 years the United States has been operating with an economic structure from which the "cornerstone" has been removed —and that is a very dangerous situation, particularly since it involves the dollar-savings of upward of 168 million American people.

Theodore Roosevelt

My next authority in support of the Gold Standard — a man whom history rates as one of the greatest Presidents this nation has ever chosen for that high office—is Theodore Roosevelt. Of all our Presidents it is perhaps fair to say that none held more positive ideas as to the functions of government, and none displayed greater ardor in expressing his views. And on the particular subject being discussed, it can safely be said that this nation has never produced a stronger advocate of the principles of Sound Money than Theodore Roosevelt—as evidenced by several of his published speeches in support of the Gold Standard. Following are excerpts from some of those speeches while he was an occupant of the White House:

At Logansport, Ind., Sept. 23, 1902: "An honest currency is the strongest symbol and expression of honest business life. A financial system of assured honesty is the first essential."

At Canton, Ohio, Jan. 27, 1903, on the occasion of a service commemorating the birthday of the lamented William McKinley. With specific reference to the great political battle of 1896—the chief issue of which Presidential campaign was "The Gold Standard Versus Free Silver" — President Theodore Roosevelt said: "All other issues sank in importance when compared with the vital need of keeping our financial system on the high and honorable plane imperatively demanded by our position as a great civilized power."

At the Syracuse State Fair, in September, 1903: "This nation is on a gold basis. The Treasury of the public is in excellent condition. Never before has the per capita of circulation been as large as it is today; and this circulation, moreover, is of money every dollar of which is at par with gold."

And finally, at Oyster Bay, N. Y., July 27, 1904, when Theodore Roosevelt was being notified that he had just been nominated by the Republican Party as its candidate to succeed himself as President, Mr. Roosevelt used these seemingly sound prophetic words: "We know what we mean when we speak of an honest and stable currency. . . . So long as the Republican Party is in power the gold standard is settled, not as a matter of temporary political expediency, not because of shifting conditions in the production of gold in certain mining centers, but in accordance with what we regard as the fundamental principles of national morality and wisdom."

When one sifts out those clear, straightforward pronouncements such inspiring words and phrases as: "honest currency"; "financial system of assured honesty"; "vital need of keeping our financial system on the high and honorable plane imperatively demanded by our position as a great civilized power"; "money every dollar of which is at par with gold"; "We know what we mean when we speak of an honest and stable currency;" and "So long as the Republican Party is in power the gold standard is settled . . . in accordance with what we regard as the fundamental principles of national morality and wisdom"—one may properly wonder what Theodore Roosevelt would think of the monetary principles being followed today by the so-called "modern Republicanism." Our present-day Republicanism promised the American Voters, in its 1952 Platform, that it would restore our currency to "a dollar on a fully convertible gold basis"—but, after four years in office, seems to have entirely forgotten that campaign promise, and apparently contended with the dishonest printing press paper-money foisted upon us by the New Deal in 1933.

Recalls Andrew Carnegie

Another great American, a man who knew the difference between "hard money" and "soft money," was Andrew Carnegie, to whom so many owe so much. Addressing the **Economic Club of New York, in 1908,** Mr. Carnegie laid it on the line in these words: "There is only one substance in the world which cannot fall in value, because it is in itself the world's standard of value, and that is gold, which the banks of civilized nations have as their reserve."

Mr. Carnegie went on to compare gold to the North Star, saying, as we all know, that the North Star is the most nearly fixed in its position of any of the heavenly bodies — that it is the one about which the solar system revolves. He then said that gold occupies a somewhat similar position with respect to other commodities, in that gold is the most nearly fixed in **value** of any of the commodities, and continued: "To deny to gold its privilege of serving as the standard-of-value would be like refusing to call the star, nearest of all stars to the true North, the North Star."

Praises Woodrow Wilson

Woodrow Wilson was evidently a gold-standard man; for one of his first interests after becoming President, in 1913, was that of promoting favorable action on the Owens-Glass Bill — the bill that established our Federal Reserve System. And under the original set-up Federal Reserve Notes were redeemable in gold. Unlike the New Deal in the 1930's, Woodrow Wilson adhered to the long-established policy of his predecessors—Democratic and Republican, alike — that paper money

should at all times be maintained as **good as gold.**

In the 1920's this nation was fortunate in having as its Secretary of the Treasury a man highly skilled in finance, namely, Andrew W. Mellon. During the first three years of his stewardship Mr. Mellon reduced the National Debt from $26 billion to $17 billion—or by $9,000 million. And those dollars possessed a 70% higher gold-value than the ones with which we have been operating since 1933. Also of great importance to the people in the 1920's is the fact that the dollars paid back to them for their $9 billion of government bonds carried the privilege of redemption in gold, if anyone had cared to exercise that privilege; whereas today, any paper dollars paid back to them on their loan to the government can merely be exchanged for other paper-dollars; for today's Federal Reserve Notes specify in fine print that they are "redeemable in lawful money," and, unfortunately, gold isn't "lawful money." But Andrew Mellon knew the difference in these two types of "redeemability," for in his book, "Taxation: The People's Business" (1924), he has this to say:

Quotes Mr. Mellon

"In so far as this government is concerned its policy has been to keep its own house in order; to maintain the gold standard unimpaired; to balance its budget; and to carry out a reasonable program for the orderly funding and gradual liquidation of the war debt."

Mr. Mellon well knew that if our currency was to remain **honest** —as has been the case under both Democratic and Republican Presidents prior to 1933—the U. S. must "maintain the gold standard unimpaired." But, unfortunately, "New Dealism" and "Modern Republicanism" seem to have forgotten that the Gold Standard played an important part in the achieving of the success that has been enjoyed by this nation.

Work of the Macmillan Committee

Not long before the New Deal took over in 1933—to be specific, in June, 1931—a now famous British committee of 14 eminent economists and financiers, known as the "Macmillan Committee," rendered a report in which they gave strong support to the Gold Standard in the following words:

"There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

That pronouncement, made nearly two years before the New Deal came into being, was entirely overlooked by our would-be economists of the New Deal stripe —for they chose to follow the now discredited ideas of another Britisher, namely, John Maynard Keynes; and, as the result, our political leaders not only committed the unpardonable sin of **devaluating** the American Dollar, but also the **dishonest** act of foisting upon us our present "irredeemable" paper currency whereby this modern form of so-called "redeemability" merely permits the swapping of one piece of paper for another. That is a far cry from the monetary honesty followed by this nation prior to 1933 when, with rare exceptions, our paper-money was meticulously maintained **as good as gold.**

Let's see just what those dishonest acts did to the accumulated savings of the American people, as evidenced by the following facts:

In 1933, our government owned about $4 billion in gold, based upon $20.67 an ounce; but when the official-price was raised to $35 an ounce, the government came to own $7 billion in gold. Hence that piece of trickery resulted in a quick profit of $3 billion to the U. S. Treasury. But let's also examine the "other side of the coin."

$50 Billion Robbery

In 1933, the people of this nation owned upward of $125 billion of dollar-assets in the form of bank deposits, government bonds and life insurance benefits already paid for with dollars carrying a 70% higher value than our present Dollar—assets recoverable in definite numbers of dollars regardless of the value of the dollar itself. The 41% devaluation of the dollar—whereby it now requires 70% more dollars ($35 instead of $20.67) to equal the former value represented by those savings—means that the people were robbed of more than $50 billion of the real value of their accumulated savings; and they have been paying for that ever since by the Inflation brought on by that governmental "trickery." For example, we now pay just about 70% more for practically everything we buy—$2,000 for a $1,200 automobile; $20 for $12 shoes; 25c for 15c milk; 5c for a 3c newspaper, and so on *ad infinitum.*

If there were to be a further "devaluation" of the Dollar, as is being actively promoted by a lobby of gold-producers in Washington, there could again be further inflation. Those interests have been trying to get our government to raise the official-price of gold to as high as $70 an ounce —meaning a 50% devaluation of our present Dollar. And that would be far more serious today than it was in 1933, for, today, the people of this nation own more than $500 billion in the form of the three classes of dollar-assets mentioned above; and a 50% devaluation of the dollar would rob the people of more than $250 billion of the real value of their accumulated savings—and we could find ourselves paying about twice as much for everything as we are paying today.

Avoiding Harm

How can such a catastrophe be avoided? The answer is very simple if we will be governed by the authoritative opinion of as competent a monetary expert as this nation has ever known, namely, the late Professor Edwin W. Kemmerer of Princeton University. His advice was that the Dollar be restored to the Gold Standard, as he clearly states in the very last paragraph of his monetary masterpiece, "Gold and the Gold Standard" (McGraw-Hill), published in 1944 just shortly before his death. Here are those closing words of that book:

"Finally, the United States Government should promptly declare its intention to rehabilitate its own gold standard after the war, and should call an international monetary conference of all countries desiring to return to a gold basis, with the object of formulating plans for the restoration of the international gold standard and for international cooperation to make that standard a better standard."

Thus far, however, "Modern Republicanism" has ignored this sound advice by Prof. Kemmerer —it continues to confine our citizens to irredeemable paper-money, dishonest in its very nature, initiated by the New Deal in 1933. It must be admitted, in support of national honesty, that our government properly accords to foreign banks and nations the privilege of redeeming **their** American dollars in gold at the U. S. Treasury.

Professor Kemmerer wasn't alone in advocating return to the Gold Standard; for Dr. Walter E. Spahr and his associates in the "Economists' National Committee on Monetary Policy"—whose membership includes some 70 of the leading economists of this nation—have been actively advocating that policy for more than 20 years.

Calls on Banks and Insurance Cos.

In closing, it seems fair to say that bankers and insurance companies have a responsibility in this matter; they should be right up in front, demanding return to the Gold Standard—otherwise they may properly be charged with a callous lack of interest in protecting the economic welfare of their customers. The President of a large Connecticut life insurance company gave recognition to that responsibility in a published statement before a group of leaders in finance at a meeting in Washington on Dec. 6, 1954. Here are his words:

"I may be biased because of the fact that my business sells money for future delivery, and to me it is a pretty wicked thing to consider the possibility that people will make present sacrifices for future protection, and then get dollars of much lower value."

While I have seen no evidence that that executive has taken any further steps to eliminate this "wicked thing," it is my hope that this article will help bring the General Public to a realization that irredeemable paper-money is not **real money**—that only the Gold Standard can give us "real" Money.

Group Offers Celotex Com. Stock at $31½

An underwriting group headed jointly by Hornblower & Weeks and Eastman Dillon, Union Securities & Co. offered publicly on Aug. 20 a new issue of 150,000 shares of common stock (par $1) of The Celotex Corp. at $31.50 per share.

Net proceeds of this sale will be added to working capital and used for general corporate purposes.

Celotex manufactures and distributes a broad line of building materials, including: insulation board products and accoustical materials, which account for about 60% of sales; roofing products, which make up about 15% of sales; gypsum products, 15%; and hardboard products and specialty items, 10%. Celotex headquarters are in Chicago. The company, with about 4,300 employees, presently has 11 manufacturing plants in nine states.

Bullen Joins Skaife Co.

(Special to The Financial Chronicle)

BERKELEY, Calif.—David Bullen has become affiliated with Skaife & Company, 3099 Telegraph Avenue. He was formerly with Brush, Slocumb & Co. and Walter C. Gorey Co.

With H. Carroll Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Richard M. Maxwell has become connected with H. Carroll & Co., 324 North Camden Drive. He was formerly with J. D. Creger & Co.

Two With Richard Fay

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Clifford T. Kawada and Richard A. Marott are now with Richard A. Fay & Co., 9911 Santa Monica Boulevard.

T. R. Peirsol Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Louis D. Bluman has become connected with T. R. Peirsol & Co., 9645 Santa Monica Boulevard. He was formerly with Bache & Co.

Securities Salesman's Corner

By JOHN DUTTON

It Pays to Be Unorthodox Once in a While

I have often been asked by new men who are trying to build up a clientele just how to go about meeting enough people and what is the best way to get into production. Sometimes men from one community will move to another and they are faced with the task of building up anew, and their job is similar to the new man who begins from scratch, except they often have investment background and experience which is helpful.

The stock answer is often "Work". That is alright as far as it goes, but is a bit too general an idea for most men to find helpful. First of all you must find a prospect. A qualified prospect is someone who has a need for what you are selling and who has the time to see you and talk about it. Besides, he must be in a position to make a decision without reliance upon anyone else. If any of these factors are missing your lead is not qualified and your time spent in cultivating this prospect will be usually wasted.

Good advertising, both direct mail and newspaper will produce leads today and if your firm is doing this part of the job for you the rest is not too difficult. First of all you must follow leads. You should have a system of calling these people for appointments. One of the most effective methods of doing this is to follow the time tested method of striving for an appointment rather than trying to make a sale over the telephone. Your first sale should be an appointment at a specific time and place. If you will stick to your guns and pleasantly use the following routine you will make many appointments and you will begin to build clients. From this first group of customers you will obtain referrals, and you will be constantly working your leads, your appointments, and you will do business.

Telephone Follow Up On Advertising and Direct Mail Leads

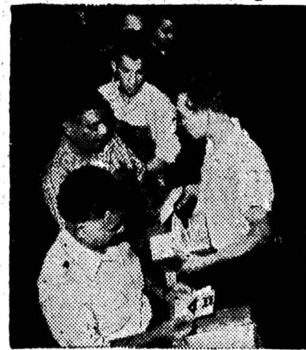
"May I speak with Mr. J. N. Brown? . . . Is this Mr. J. N. Brown? Mr. Brown? This is John Worth of Danforth and Jones, Investment Securities. Recently you answered our ad in which we promised to send you information regarding mutual funds and get in touch with you. I am calling to see if it's better to see you in the morning or the afternoon." Say this with a smile in your voice and also on your face. Take your time and make the calls. You'll find that many will say "yes" they would like to see you either in the morning or the afternoon. Make your appointment and hang up. You have now made your first appointment and by keeping to this plan you will be able to build up a solid week's work of calls and you will begin to build your clientele.

Also, don't hesitate to make some calls during times of the week when other salesmen may not be thinking of working. Saturday afternoon is often a good time to find professional men, and many people who now work a five day week, at their homes. Monday night is also a good off night and around 7:30 p.m. is a time when people are usually home after a long weekend.

The Telephone Can Help You

After you begin to build up some clients you can keep in touch with them by telephone. You can ask for referrals and you can occasionally make a call when you have something that is exceptionally interesting to offer to them. This is where you can afford to be unorthodox. Here's a sample. Several weeks ago one of my clients of several years was at his summer home about 1,200 miles from my office. I had a block of stock in a company in which he had acquired quite an interest and I made a telephone call to his home about 7:30 in the evening. We had a pleasant chat for a few moments and I offered him the opportunity of buying this additional stock at a price slightly under his last purchase of several months before. He was very pleased to do so and he appreciated the fact that I had him in mind and called it to his attention. If I had waited until the next morning he may have bought it anyway, but the psychological effect of an evening call at his home gave it a special emphasis that in this case was understood without my laboring the point.

Don't be afraid to be unorthodox. Make your calls. Ask for appointments in the evening, in the afternoon, on week-ends, or whenever people who are qualified prospects can see you. Follow your leads and make your calls. Have good securities to offer, good service to render, and try to keep your prospects' best interest always foremost in your mind. Go out to serve and to help people do a *better job* with their investments, and by keeping so busy you won't have time to worry about building a business and before you realize it you will have done so.



CANCER LIFE-LINE

Through films, pamphlets, posters, exhibits and lectures, our life-line of cancer education reaches people in business and industry.

They learn facts about cancer which could mean the difference between life and death. For information about a program in your plant call the American Cancer Society or write "Cancer" care of your local Post Office.

AMERICAN CANCER SOCIETY

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Tegtmeyer & Co. Offers Super Food Services Class A and B Stock

Wm. H. Tegtmeyer & Co., Chicago, Ill., is offering publicly 55,000 shares of 30-cent cumulative class A capital stock (par $1) and 27,500 shares of class B capital stock (par one cent) of Super Food Services, Inc. in units of one class A share and one-half class B share at $5.05 per unit. These shares are offered as a speculation.

The net proceeds from this financing are to be used to permit the company to increase the number of retail stores serviced by it and to make funds available to retailers for the purchase of fixtures and other improvements.

Super Food Services, Inc., was incorporated April 29, 1957, in Delaware, and qualified to do business in the State of New York on May 1, 1957. On May 9, 1957, the company entered into a contract with Independent Grocers' Alliance Distributing Co., an Illinois corporation, commonly known as IGA, under which it was granted an IGA wholesale grocery franchise for the New York City area. The company commenced business activities on May 17, 1957.

The company was organized for the purpose of operating a wholesale grocery business under IGA franchise. Independent Grocers' Alliance Distributing Co. is an alliance of 71 wholesale grocers whose more than 5,000 associated IGA retail stores in the United States and Canada do an annual retail grocery volume of approximately $3,000,000,000. IGA grants exclusive territorial franchises to wholesale grocers who, in turn, contract with retail stores to supply them with the food, meat and allied lines commonly sold in grocery stores.

On May 27, 1957, the company entered into a contract with Francis H. Leggett & Co., a New York wholesale grocery house, for the warehousing and delivery of dry groceries, including IGA brand items, to the IGA retail stores, that are now or may in the future be associated with the company. It is in the process of procuring and making arrangements for the furnishing and delivery of meats, frozen foods, fruits, vegetables and other grocery items to these established IGA stores.

On June 21, 1957, the retail IGA stores associated with the company numbered 31. The association of all these stores had been developed previously by the cooperative work of R. C. Williams Co. and Independent Grocers' Alliance Distributing Co. without cost of Super Food Services, Inc.

ERA Shares Offered by Singer, Bean & Mackie

Singer, Bean & Mackie, Inc., of New York City, are offering publicly 100,000 shares of class A common stock (par 10 cents) of Electronic Research Associates, Inc. at $3 per share.

It is intended to use the net proceeds from this financing to acquire or lease new plant and production facilities; for design and engineering costs in connection with new products; and for working capital and general corporate purposes.

Electronic Research Associates, Inc., incorporated in New Jersey on April 28, 1953 is engaged in the business of developing, manufacturing and selling highly technical and specialized transistorized and semiconductor devices and related components used in electronic circuits and apparatus.

Continued from page 5

The State of Trade and Industry

operations of 1955 with 169,248 completions. In August last year, the company's United States plants fashioned only 87,566 cars.

Chrysler Corp., meanwhile, will build 110,000 cars this month, its best August volume since 162,740 were turned out in 1955. Only 52,035 units were built in August last year.

"Ward's" said that Studebaker-Packard Corp. ended its 1957 model car output on Thursday of last week, bringing to seven the number of car makes finished with the old model run. The others are Nash, Hudson, Rambler, Lincoln and Continental.

Offsetting the Studebaker-Packard phase-out was resumption of De Soto assembly in Detroit after a one-week suspension for inventory adjustment plus an end to labor problems which cut into Chrysler Division Detroit assembly on Monday of the past week plus the previous Thursday and Friday.

The reporting service noted a softening in Ford, International Harvester and Willys truck manufacturing thus far in August compared with July.

Industry-wide, truck making increased to 20,233 units last week from 18,279 the week before but remained slightly under July levels.

Construction, wholesaling and service failures dipped in July, bringing the month's total down to 1,059. Although continuing the seasonal downtrend, casualties exceeded slightly the 1,018 last year and were higher than any July since 1940. The rate of failures per 10,000 listed concerns, off to 48 from 50, remained well below the pre-war level.

General builders and heavy construction contractors accounted for the improvement in the construction picture, whereas tolls among subcontractors climbed, noticeably in the electrical, masonry and roofing lines. The dip in wholesale trade occurred among building materials dealers and that in service among cleaning and repair establishments. Contrasting with the general decline in July, retail failures rose in all lines except food and automotive and the manufacturing toll increased, mostly in the textiles and apparel, lumber and furniture industries. Compared with the 1956 level, casualties remained 6 to 10% heavier in manufacturing, retailing and construction.

Most geographic regions reported fewer failures in July than in June. Only three, the Middle Atlantic, West North Central and Mountain States suffered increases. Failures held even with last year in four regions; only the South Atlantic States' toll declined appreciably. Meanwhile, failures in the East and West South Central States surged up 58% from a year ago and those in the Mountain States, 52%.

Steel Mills Expect Output to Rise This Week to 82.9% Of Ingot Capacity

The drought is over for steel buyers after a decade and a half of scarcities of most items "Steel" magazine stated on Monday of the current week.

Practically all forms of steel will be readily available for the remainder of the year, it added.

The buyer, for the first time in 16 years, can specify the form and shape of steel he wants and be assured of getting it within a reasonable delivery time. This now applies even to wide flange beams and plates. Only a few steel products will be difficult to obtain over the remainder of the year. Prices will be stable and no buyer should have to pay premiums over the established mill or warehouse prices.

While steel supply will remain adequate, a strengthening in demand for the fourth quarter delivery is looked for by buyers. This is reflected in a report of the steel committee of the National Association of Purchasing Agents. It expects a moderately increased demand in each of the 14 categories on which it reports.

The greatest increase is expected in demand for hot rolled sheets at mills, with the next greatest increase in cold rolled sheets. Plates and heavy structurals, followed by oil country tubular goods, are expected to be in tighter supply-demand relation than any other steel product, this trade weekly declared.

"Steel" said that industrial production is surprising many people with its show of strength this summer. The magazine's industrial production index—reflecting steel output, electric power output, freight car loadings and auto assemblies, stands at 156 (1947-1949=100), or 22 points above a year ago. So far, 1957 has been generally ahead of 1956, indicating that the easier availability of materials results from increased capacity and production and not lowered consumption.

While steel mill operation is spotty, production as a whole was good enough in the week ended Aug. 18 to raise the national average of steelmaking to 80.5% of capacity. The preceding week's rate was 79%.

"Steel" pointed out that in the Buffalo district, Bethlehem Steel Co.'s plant moved up to virtual capacity in ingot production while Republic Steel Corp.'s plant in that area continues at half capacity. The Bethlehem plant's principal product is sheets and the Republic mill makes bars.

Steel prices are remaining steady, except for some scattered revisions. The publication's composite on base prices for finished steel remained at $146.19 a net ton in the week ended Aug. 14. In the Philadelphia area, warehouses reduced galvanized sheets, one of the easiest products in supply, more than $9 a ton.

Scrap prices, in general, are steady and "Steel's" price composite on steelmaking grades holds at $53.83 a gross ton. Heavy shipments abroad are keeping supplies low at collection points.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 82.9% of capacity for the week beginning Aug. 19, 1957, equivalent to 2,123,000 tons of ingot and steel for castings, as compared with 80.6% of capacity, and 2,062,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 79.4% and production 2,033,000 tons. A year ago the actual weekly production was placed at 2,359,000 tons or 95.8%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Rose the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 17, 1957, was estimated at 12,409,000,000 kwh., according to the Edison Electric Institute. Output the past week registered noticeable improvement above the level of the previous period.

The past week's output advanced 339,000,000 kwh., above that of the previous week; it rose 615,000,000 kwh., or 5.2% above the comparable 1956 week and 1,597,000 kwh. over the week ended Aug. 20, 1955.

Car Loadings Moved Fractionally Downward In Latest Week

Loadings of revenue freight for the week ended Aug. 10, 1957, declined by 240 cars, or 0.03% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Aug. 10, 1957, totaled 740,471 cars, an increase of 25,264 cars, or 3.5% above the corresponding 1956 week, when loadings were affected somewhat by the steel strike which had just ended, but a decrease of 29,780 cars, or 3.9% lower than the corresponding week in 1955.

U. S. Passenger Car Output Last Week Scored a 4.8% Industry-Wide Rise in Daily Rate Over That of July

Passenger car output for the latest week ended Aug. 16, 1957, according to "Ward's Automotive Reports," marked an industry-wide 4.8% rise in the August daily rate of assembly over July and the highest level of August operations in history for Ford Motor Co.

Last week's car output totaled 118,614 units and compared with 118,864 (revised) in the previous week. The past week's production total of cars and trucks amounted to 138,847 units, or a gain of 1,704 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 20,233 trucks made in the United States. This compared with 18,279 in the previous week and 21,679 a year ago.

Last week's car output dropped under that of the previous week by 250 cars, while truck output advanced by 1,954 vehicles during the week. In the corresponding week last year 98,548 cars and 21,679 trucks were assembled.

In Canada, 7,450 cars were built last week as compared with 4,290 cars in the like period a year ago, and 1,561 trucks as against 2,358 units in the similar period of 1956.

Business Failures Decline Further the Past Week

Commercial and industrial failures fell to 222 in the week ended Aug. 15 from 265 in the previous week, and were noticeably below the 289 of the corresponding 1956 period, Dun & Bradstreet, Inc., reports. However, the toll exceeded the 216 of the similar 1955 week, but was less than the 253 of pre-war 1939.

Failures with liabilities of $5,000 or more decreased to 198 from 229 a week earlier, and were less than the 233 occurring in the corresponding 1956 week. A decrease to 24 from 36 was reported among small failures, with liabilities under $5,000 and they were considerably below the similar 1956 level of 56. Liabilities in excess of $100,000 were incurred by 20 of the week's failures as against 19 in the prior week.

Although the manufacturing toll edged up to 39 from 37, failures in other industry and trade groups declined during the week. Wholesaling had 20 as against 24 a week ago, retailing 121 against 151, construction 31 against 38 and commercial service 11 against 15. Less concerns failed than a year ago in all groups. The most noticeable year-to-year declines occurred in retailing and commercial service.

Failures declined in five of the nine major geographic regions last week, with the Pacific Coast States reporting a decrease to 55 from 76, the East North Central States to 27 from 40 and the South Atlantic States to 19 from 30. There were mild increases in the Middle Atlantic, West North Central, East South Central and Mountain States. Except for the West North Central States, failures were below a year ago in all regions. The most noticeable year-to-year declines prevailed in the Middle Atlantic States and the Pacific States.

Wholesale Food Price Index Last Week Registered First Decline in 8-Week Period

Marking the first decline in eight weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell 3 cents to register $6.36 on Aug. 13, from the 26-month high of $6.39 recorded a week earlier. Despite the drop, the current index represents a rise of 4.6% over the comparable 1956 date when it stood at $6.08.

Higher in wholesale price the past week were wheat, rye, hams, butter, cocoa, eggs and raisins, while corn, barley, beef, bellies, lard, sugar, coffee, cottonseed oil, potatoes, rice and hogs were lower.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Slips Somewhat for Latest Week and Year Ago

There was a slight decrease in the Dun & Bradstreet daily wholesale commodity price index last week. The index stood at 293.66 on Aug. 12, slightly below the 294.91 a week earlier and the 295.40 of the comparable date last year. Price declines occurred on most grains, livestock, lard, sugar and coffee.

Wheat prices dipped somewhat as trading lagged. Movements of wheat into primary markets amounted to about 16,736,000 bushels, compared with 17,110,000 bushels in the prior week and

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15,853,000 bushels last year. Wheat movements for the season so far totaled 129,046,000 bushels, against 130,033,000 bushels in the similar 1956 period. Except for some scattered orders from Germany, export buying of wheat was limited.

While prices on oats and soybeans fell fractionally, corn prices advanced somewhat. However, corn trading in Chicago was noticeably below that of both the prior week and a year ago. Corn stocks in Chicago were estimated at 24,500,000 bushels, nearly twice the size of those of last year. Although purchases of soybeans on the Chicago Board of Trade fell considerably below those of a week earlier, they noticeably exceeded comparable 1956 levels.

A moderate decline in purchases of flour resulted in slight price declines for the week. Although buyers from Venezuela stepped up their orders, over-all export trade in flour was sluggish. Flour receipts at New York railroad terminals on Friday totaled 38,140 sacks, with 3,825 sacks for export and 34,315 for domestic use.

Despite increased export business, rice prices dipped fractionally last week as domestic buying slackened. Sugar prices were moderately below those of the previous week, reflecting a decrease in transactions.

There was a substantial rise in cocoa prices as domestic buyers competed for recent imports from Brazil.

New York warehouse stocks of cocoa fell to 345,348 bags, compared with 430,367 bags last year. Cocoa arrivals in the United States so far this year totaled 2,243,409 bags, while for the comparable period last year they amounted to 2,948,681 bags.

There was a moderate decline in pork trading during the week and hog prices fell below the record levels of the preceding week. Increased receipts boosted cattle supplies in Chicago to the highest level in three weeks. Both prices and trading of cattle were close to those of the prior week. While lamb receipts in Chicago rose somewhat during the week, they were below those of the comparable 1956 week. Lamb prices declined, as trading sagged. Sluggish trading resulted in a noticeable decrease in lard futures prices.

Cotton futures prices continued to decline the past week, as trading in distant futures slackened.

The United States Department of Agriculture estimated that 1957 cotton crop output would be 11,897,000 bales, somewhat less than earlier private estimates.

According to the New York Cotton Exchange, the total domestic supply of cotton for the season now starting is about 23,200,000 bales. Exports for the season just ended amounted to about 7,700,000 bales and the Department of Agriculture expects a total of about 5,000,000 bales to be exported in the season now getting underway.

Trade Volume Fractionally Higher for Latest Week And Year Ago

Continued reduced-price sales promotions helped sales of men's and women's Summer apparel remain at a high level last week. Best-sellers were sportswear and better cotton dresses. Although the call for Fall dresses, coats and suits expanded appreciably, sales were below expectations. Men's stores reported noticeable gains in purchases of Fall suits and overcoats, while interests in lightweight suits continued close to that of the preceding week. Despite appreciable gains in linens, draperies, and kitchen utensils, total volume in household goods slackened and fell somewhat below a year ago. While interest in furniture and air conditioners was high and steady, purchases of major appliances dipped slightly. The buying of new passenger cars advanced appreciably, and equalled that of a year ago. There was a fractional rise in total retail volume over that of both the prior week and the similar period a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 1% below to 3% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: Middle Atlantic, West North Central and Mountain States +2 to +6: East South Central +1 to +5; West South Central and Pacific Coast —1 to +3; South Atlantic —2 to +2; New England —3 to +1 and East North Central —5 to —1%.

Early consumer buying of Fall apparel encouraged retailers to increase their orders for women's Fall coats and dresses and men's topcoats and suits. Best-sellers in men's furnishings were white dress shirts and neckwear. Transactions in woolens and worsteds advanced appreciably and wholesale stocks were limited. Increased trading in print cloths helped boost total bookings in cotton gray goods somewhat over those of the preceding week. There was an upsurge in orders for toys and dolls and volume exceeded that of a year ago. A substantial gain from a week earlier in the call for furniture, housewares, and draperies occurred. Wholesale volume in air conditioners and refrigerators slackened, while volume in television sets and automatic dishwashers improved. Food buyers were interested in fresh meat, frozen foods and most dairy products.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 10, 1957, increased 3% above the like period last year. In the preceding week, Aug. 3, 1957, no change (revised) was reported. For the four weeks ended Aug. 10, 1957, an increase of 5% was recorded. For the period Jan. 1, 1957 to Aug. 10, 1957, an increase of 4% was registered above that of 1956.

Retail sales volume in New York City the past week showed gains of 9 to 11% above the corresponding period in 1956.

Low temperatures and less than average rainfall, according to trade observers, spurred retail trade.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 10, 1957, increased 8% above that of the like period of last year. In the preceding week, Aug. 3, 1957, an increase of 3% was reported. For the four weeks ending Aug. 10, 1957, an increase of 5% was registered. For the period of Jan. 1, 1957 to Aug. 10, 1957, the index recorded a rise of 4% above that of the corresponding period of 1956.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government bond market is still trying to adjust itself to the rather sizable increase in both the prime bank rate and the discount rate and this means light volume with prices at or just above the lows for the year. Demand for the shortest Treasury issues and selected intermediate term obligations is good, with the two-four year 4% note still finding favor with investors. Competition for the available supply of investment funds is as keen as ever, with non-Government bonds still in a more favorable position than are the Treasury bonds, because of the better yields that are obtainable in the corporate, state and municipal issues.

Because of the uncertainty that is surrounding the business picture there are reports of important switches being made into income bearing obligations. Also, because of the defensive economic pattern, there are opinions that the hardening of interest rates may be close to a peak now.

Short-Term Issues in Principal Demand

The interest in Government securities, according to advices, is still very much on the limited side, with the exception of the shortest maturities. There is no shortage of the most liquid Treasury securities since the Government has been using this medium to raise the bulk of its new money. However, because of the uncertainty that hangs over both the bond and stock markets, more money is being put to work in the short and most liquid Government issues pending clarification of the trend in the equity and money markets.

Interest Rates to Stabilize at Present Levels?

The increase in the prime bank rate and the subsequent increase in the discount rate has brought these rates to the highest levels in more than 30 years. Nonetheless, in spite of the uptrend in cost of obtaining funds, there are not a few money market followers who are of the opinion that the recent increases in loaning rates could be the high level for interest rates for some time to come. They point out that the trend of economic conditions indicates considerable uncertainty in the business picture, and the fall recovery will be much less than had been expected in many quarters. There is also some evidence, through the defensive action of the common stock market, that there is more than a modicum of uncertainty about the future trend of business.

Monetary Authorities Still Inflation Conscious

Nevertheless, the inflationary pressures, according to the powers that be, are still very strong and are not showing any real evidence of abating yet, and this must be taken to mean there will be no let-up in the money tightening and credit limiting operations of the monetary authorities. Also the fact that the Central Bank rate was pushed up ½% to 3½% by many of the Federal Reserve Banks is to be taken as proof that the existing monetary policies are to be continued for the foreseeable future.

To be sure, the raising of the prime bank rate from 4% to 4½% was responsible in some measure for the sizable increase in the discount rate from 3% to 3½%. However, the discount rate has not been a penalty rate for a long time and as long as the member banks do not make excessive use of the discount privilege at the Central Banks, and they have not done so thus far, the upping of the discount rate means only confirmation of prevailing policies. However, a Central Bank rate of 3% and a prime bank rate of 4½% might have been too much temptation for the member banks to resist, and this could have brought about such sizable discounts at the Federal Reserve Banks that it would have adversely affected the money tightening operations of the monetary authorities.

Capital Borrowing Remains Substantial

The demand for money for capital purposes continues to be very large, even though the next two weeks are usually the slowest ones of the year for new money raising. The calendar of corporate, state and municipal offerings for the fall is very large and there are no signs yet of a let-up in the flow of new issues. The pressure of these new offerings will continue to have an influence on the level of interest rates and, unless there is a larger demand for them than currently indicated, this means high rates for the new issues that will be put out for sale this fall. This means also that the competitive position of long-term Government bonds will be bettered only when they go to the lower levels.

Smith, Barney Group Sells Atlantic Ref. 4½% Debentures

A nationwide group of underwriters managed by Smith, Barney & Co. on Aug. 20 offered to the public $100,000,000 of Atlantic Refining Co. 4½% convertible subordinated debentures due Aug. 15, 1987, at 100% plus accrued interest.

The debentures are convertible into common stock at $53 a share until Aug. 15, 1962 and thereafter at increasing prices.

The debentures will have the benefit of a sinking fund which will begin in 1967 and is designed to retire 60% of the issue before maturity. For the sinking fund the debentures will be redeemable at 100% and accrued interest. They also may be redeemed at any time at the option of the company at prices ranging from 104½% to 100%, plus accrued interest.

Of the net proceeds from the sale of the debentures Atlantic Refining will apply $81,000,000 to prepayment of outstanding bank loans. The bank loans were incurred in connection with the company's policy of increasing crude oil and gas producing capacity, including the acquisition in 1956 of oil and gas properties from Houston Oil Company for $42,427,000 and deposits during the first five months of 1957 to $27,192,000 committed for payment for additional concessions in Venezuela. The balance of the net proceeds will be added to the general funds of the company.

Consolidated gross operating income of the company during the six months ended June 30, 1957 totaled $302,047,000 and net income was $25,293,000, equal after preferred dividends to $2.74 per common share. In the comparable six months of 1956, consolidated operating income amounted to $275,196,000 and net income was $22,149,000 equal after allowance for preferred dividends to $2.40 a share on the common stock.

Three With Weston

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dewey D. Davidson, John D. Varis and Saul N. Yarmak have been added to the staff of Daniel D. Weston & Co., Inc., 618 South Spring Street. Mr. Yarmak was formerly with Bennett-Gladstone-Manning Company.

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Continued from page 16

Steel Industry a Victim of Inflation

that the rising price of the products—or commodities—that people buy have had relatively little effect upon the consumer's pocketbook in recent years; and that most of the increase in the Cost of Living Index has resulted from the rising price of services—or non-commodities, if you will. Thus since 1951, he says, the price of services—as recorded in the Index—has risen 21%; while the price of commodities has gone up only 2%. And he concludes with this simple statement, which I should like to quote with emphasis:

"It is not possible to maintain, in view of the statistical evidence, that administered prices have been primarily responsible for the inflationary spiral."

That is Dr. Ruggles' statement; and that is what the evidence clearly shows. Yet in the face of the indisputable facts, which are readily available to anyone who cares to look them up, the belief still seems to persist that there is something special and different about steel—that a rise in the price of steel can somehow touch off a new round of inflation; and that it will quickly affect the sensitive pocketbook-nerve of every man, woman and child in America.

Presenting the Facts to Dispel an Economic Superstition

That is sheer economic superstition; and it behooves us, I think, to expose it as such, for if this committee is to contribute—as I hope it will—to a broader public understanding of the real causes of inflation, it must deal in facts, and not in unsupported assumptions, however long those assumptions may have been an established part of our national folklore.

Now what are the facts?

Well, the New York "Times," on March 10 of this year, published a front page story in which it analyzed the changes in the Cost of Living Index since 1952, and showed what has happened to the price of all of the major items which are covered by that Index. This story, written by Edwin L. Dale, Jr., the "Times'" economic correspondent, showed—just as Professor Ruggles has shown—that the price of the things which people bought during this period had remained relatively stable; but that the price of services—or non-things, such as transportation, medical care, laundry, haircuts, rent, and so on—had risen substantially. And to illustrate the minor role that industrial prices have played in this picture, the "Times" made this significant statement:

"Though it may seem surprising," said the Times, "the price of steel could practically double and the cost of living would hardly show it. Between 1951 and 1955, the price of steel rose 14%; but the price of household appliances—washing machines and the like—actually declined by 13%."

How can this be? Well, the most authoritative explanation undoubtedly comes from Dr. Ewan Clague, who as U. S. Commissioner of Labor Statistics for many years, must be regarded as our leading expert on matters pertaining to the Cost of Living Index—or the Consumer Price Index, as it is now called.

In August of last year, Dr. Clague said that a rise in steel prices has only a "negligible" effect upon the Cost of Living Index because the amount of steel in the consumer dollar is so "tiny." And that, of course, is the crux of the matter. All the money that the American people spend for steel in a year is so small in comparison to their total expenditures for all of the other things they buy, that any change in the price of steel is overwhelmed by the price movement of other goods and services which make up the average family's budget.

In fact, the recent steel price increase would affect that budget by about 4/100 of 1%. That is considerably less than one cent a day for a $5,000-a-year budget—or not even enough to buy one cigarette.

But perhaps the most conclusive evidence on this question is to be found in the records of U. S. Steel itself. Several years ago—on May 1, 1948, to be exact—United States Steel tried to lend what weight it could toward slowing down the inflation that was then running riot.

In the previous year, 1947, the Cost of Living Index had jumped 14½% above the level of the year before. That was the largest annual increase ever recorded since the First World War period; and it is interesting to note, in passing, that this 14½% rise in that one year was more than 3½ times as great as the total increase that has occurred in the past three years put together. We were deeply concerned about inflation—as we still are—for among the industrial population of America, the steel industry has been one of the principal victims of inflation. It was a major problem for our company and we decided to do something about it if we could.

Fortunately, we had a unique opportunity to do so, for under the terms of our contract with the union that year, our workers could seek a wage increase; but they could not strike to obtain it.

So instead of granting the union's demand for higher wages, we determined to reduce the price of our products by $25 million—or an average of about $1.25 per ton. Reductions on individual products ranged from $1 to $5 per ton and applied particularly to those steel products which we hoped would bear most directly upon the cost of living—the kinds of steel, in short, that go into automobiles, household appliances, tin cans, roofing and siding for buildings and various wire products such as nails, wire netting and fencing.

Now remember, please, that at this time steel prices were already lagging far behind other prices generally. From 1940 to May of 1948, they had advanced only 40%; while the price index of all commodities had gone up 2½ times as much; food products, 3½ times as much, and farm products more than four times as much as steel.

But still, we cut our prices, and in announcing this price reduction, Benjamin Fairless—then President of the Corporation—made a statement which sounded very much like some of those we hear today. He said:

"We in United States Steel believe that costs and prices in general are too high today for the good of the nation. We are firmly of the conviction that American industry and labor should cooperatively do everything in their power to avoid further increases in costs, which—if permitted to occur—must result in higher prices for almost everything we buy. Certainly the best interest of all of our people will not be served by a further lowering in the purchasing power of the dollar."

Mr. Fairless went on to express the hope that our action would have a "beneficial effect throughout the nation," and that it might help to bring "an early stabilization or reduction in the cost of living." But he also made it clear that if costs and wages continued to move forward elsewhere on a broad front, we would have to rescind our price cut and grant wage increases in fairness to our employees.

Learning Three Important Truths From a "Noble Experiment"

What happened? Other unions demanded another big round of wage increases—and got them. Other companies had to raise prices to pay for them. Our costs kept soaring skyward. We might as well have tried to stop an express train with a peashooter. So three months later, we had to rescind our price action, increase the pay of our workers, and try to catch up with the parade that we had fallen so far behind.

This "noble experiment," however, was not a total loss for it taught us three important truths that I hope may someday be widely understood: First that no one company, no one industry, and no one union can alone stop the march of inflation. Second that neither the steel industry nor any other industry ever sets the wage pattern in America; for the postwar wage pattern has been a never-ending spiral in which each industry, in its turn, is called on to pay a little more than the preceding industry did, and the next industry must then pay a little more than that. And third, we learned from the stark statistical evidence, that a cut in steel prices produces no discernible or identifiable effect upon the cost of living. The actual mathematical facts may interest you:

Our price reduction took effect on May 1 of 1948. From January through April of that year, the cost of living had risen only three-tenths of one percentage point; but no sooner had our price been lowered than the cost of living began to rise sharply. In the next three months it rose two whole percentage points.

Towards the end of this time we had to give up and raise wages and prices substantially. And what happened to the cost of living? It went up one-half of one percentage point in the following month and then began to drop steadily—not only throughout the balance of the year, but throughout all of the following year until it reached the lowest point it had seen in 22 months!

And so if we are going to investigate steel prices at this hearing, by all means let us investigate steel prices; but in so doing let us not delude ourselves or anyone else into the notion that we are thereby striking at the roots of inflation.

Modern Industrial Miracle: 7¾-Cent Steel!

On the contrary, let us try, at least, to bring a little helpful perspective into this whole steel price picture. It is popularly supposed that the price of steel is too high; but I wonder whether one person out of ten, in this country, has the remotest idea what the price of steel actually is.

Today steel is selling for about 7¾ cents per pound. That is the average price that U. S. Steel is getting for all of the carbon and alloy steel that it ships. Yet to produce this steel it must use billions of dollars worth of equipment, the labor and skills of hundreds of thousands of men, and mountains of raw materials gathered from many parts of the world.

It seems to me that in comparison with almost everything else we buy 7¾-cent steel must be regarded as something of a modern industrial miracle.

And how much has the price of steel gone up since this broad cycle of inflation began back in 1940? What is the sum total of all of the price increases that have occurred in steel in all of the past 17 years put together? Why, about 4¾ cents per pound!

During this same period, other basic necessities of life have also risen in price. Bread, for example, has gone up 11 cents per pound; butter 39 cents, and round steak 59 cents; and all of us recognize that this is the inevitable effect of inflation. But when the price of steel moves up just three-tenths of one cent per pound—as it did on the first of July—it is declared to be a matter of grave national concern.

The truth is, of course, that during these 17 years, the value of the dollar has shrunk to slightly less than 50 cents. That means that each penny spent for steel today is really one half a penny. So the price of steel has really gone up very little in terms of an unshrunken dollar. It is mainly that the value of money has gone down.

"T-1" Steel Saves $800,000 in a New Bridge

And then there is the matter of quality—the change in the intrinsic value and usefulness of that pound of steel—which is so often overlooked in these discussions of steel prices. To compare the price of our 1957 model steel with that of our 1940 model is a good deal like trying to compare the price of a 1940 radio set with a 1957 color television. In many cases the kind of steel we sell today could not have been purchased at any price in 1940, because it simply didn't exist. And while the price of these new steels, such as high-strength and alloy steels, is necessarily higher than that of the older-type carbon steels, it may actually represent a lower cost to the purchaser.

A case in point is the new bridge that is being built across the Carquinez Straits in California. Instead of using the old-fashioned steels, the engineers of the State of California are using our new, high-strength, "T-1" steel for many of the principal members of this bridge. And by using this higher-priced steel, they estimate that they will save $800,000 on the over-all cost of the structure.

So statisticians who ignore this all-important factor of value will conclude that the average price of the pound of steel we sell has gone up. But in the light of the new types and usefulness of these higher-cost products, has it really, gentlemen? Or perhaps has the price of steel gone down as an actual matter of value per pound?

I'll leave it to you; but one thing seems crystal clear to me; that when viewed in its true perspective, the price of steel is amazingly low; for steel is not only the cheapest, by far, of all the common metals; but, with surprisingly few exceptions, it is also cheaper—pound for pound—than almost anything else you can buy.

To put it in the politest possible terms, therefore, let me just say that the so-called "high price of steel" is in my opinion another myth, pure and simple. Conceivably this myth has been born of a natural desire to find some convenient scapegoat upon which to blame our inflationary troubles. If so, however, it is my purpose to see that United States Steel does not become that scapegoat!

Mere Assumptions Clutter Up Landscape of Understanding

In these hearings, we are prepared to present the whole financial story of United States Steel, as it stands today after 17 years of inflation—the facts about our costs, our prices and our profits. But in my statement here this morning, I am impelled to discuss a couple of other free-wheeling assumptions that have been standing unchallenged in the record, and that seems to me to be considerably cluttering up the landscape of proper understanding.

One of the most persistent of these unfounded assumptions is that a big corporation, like United States Steel, has no real competition; that it thus enjoys "monopoly power" or "concentration of power" which enables it to boost its prices to what have been described here, I believe, as unendurable levels"; and that in this way it reaps fabulous profits, the public interest to the contrary notwithstanding.

But that is the assumption. What are the facts? Does United States Steel really possess that kind of power? Does it actually get these fabulous profits? Let's look at the record:

When United States Steel was created, 56 years ago, it was the biggest corporation America had ever seen up to that time. It produced twice as much steel as all of its competitors put together.

Now self-preservation, of course, is one of the most basic of all instincts; so if United States Steel did possess, in those days, the "monopoly power" frequently attributed to it, then presumably it would have expanded its production at the expense of its competitors; or certainly—at the very least—it would have held its own ground against them. In which event, we would expect to find that United States Steel today still produces no less than 66% of the total domestic output, as it did back in 1902.

The fact is, however, it does not. Today it produces less than 30% of the steel that is made in America; and where once it turned out twice as much as all of its competitors put together, its competitors now turn out more than twice as much as it does.

It is true that U. S. Steel has grown during this period and that, last year, it produced about three times as much steel as it did in 1902; but its competitors have grown far more lustily. They produced 15 times as much steel as they did in 1902!

Yes, over the years, United States Steel's share of total domestic production has declined continuously, right down to the present day, while its competitors have taken an ever-increasing share of the market away from it. For every ton of steel-making capacity that we have added during these years, our competitors have added almost three tons to their capacity; and this year—for the first time—our share of the total capacity of the industry dropped to 29.7%.

These are the facts. Here on the record itself is the most conclusive possible evidence of the vigorous competition that exists within the steel industry. To persist in the discredited assumption that there is an absence of competition in steel, is to renounce reality and to cling to delusion. And to argue that concentration in this industry is on the rise, is merely to say that concentration among the smaller companies is increasing at the expense of United States Steel. This, then, is a new concept of concentration—a kind of concentration in reverse!

Steel Must Compete With Materials of All Kinds

Let us not forget, moreover, that vigorous and successful as U. S. Steel's competitors have been, they are by no means the only competition which we must meet in selling steel. With American wage rates three times as high as those which are paid to steelworkers abroad, we face increasing competition from foreign imports; and in certain product lines, this competition has cut heavily into our market.

Beyond that, too, is the intense competition that steel faces from other industries producing a host of products that can be used as substitutes for steel. Thus aluminum is striving mightily to replace steel in the automotive market, in the building industry, and in containers. Plastics are contending against steel in the manufacture of pipe, and for hundreds of other uses. Detroit has been experimenting with the use of fiber-glass for automobile bodies. The steel we produce for the manufacture of tin cans competes against glass, paper and other substances. In the construction field, steel must vie with

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pre-stressed concrete, wood, masonry, slate, asbestos and other materials too numerous to mention. And always it must compete against other metals such as copper, bronze, lead, magnesium and so on.

So let no one suppose that the customers of any steel company are unresourceful in protecting their own interests. They will buy their needs from the company best able to compete for their patronage in terms of price, quality, service, dependability and availability. And in the end, they alone will decide—as the American customer always does—which companies shall grow, which shall wither, which shall survive and which shall die. Theirs is the power to regulate and to control.

But still it is assumed that big companies, like U. S. Steel, have some mysterious and undiscovered power to reap fabulous profits at the customer's expense. And that, too, is a myth—a carefully cultivated and widely exploited myth which is perpetuated very simply by those who decry the total dollar profits of big companies, without relating those profits to volume of sales, increased investment, or anything else that would give them meaning.

So we hear that Mr. X made a profit of only $3,000 on his little business last year, while Corporation Y gouged a billion dollars in profits out of its customers. And that, of course, is sinful, and unconscionable, and un-American.

But who bothers to point out that Mr. X is the sole owner of his business and has invested a total of $10,000 in it; while Corporation Y is owned by a million shareowners, each of whom invested $10,000 in it. So the "greedy" owners of this "giant" corporation had a profit of $1,000 apiece and a 10% return on their money; while "poor" Mr. X got three times as much profit and a return of 30% on his investment. Which of them, then, made the fabulous profit?

Now I know, of course, Mr. Chairman, that no member of this Committee, nor of its staff, has any intention whatever of distorting the profits of U. S. Steel or any other company; but in view of the widespread misrepresentation that has occurred in other quarters, I have used this illustration to emphasize the necessity of measuring profits always in meaningful terms.

And with that thought in mind, let us see how the profits of United States Steel compare with those of other corporations.

Las month, "Fortune" magazine published a list of the 500 largest manufacturing companies in America; and it ranked them according to size on the basis of the dollar value of their sales last year.

Now if you look at this list, you will find United States Steel in fourth place in size of sales. It stood third in assets and invested capital. It also stood third in the total number of jobs it provides; and fifth in the number of stockholders whose savings have been invested in the enterprise. Now these are the measures of the service which U. S. Steel has performed for the total economy and for the nation.

Shattering a Popular Illusion About Excessive Profits

But how about the rewards it has received for these services? Does United States Steel rank fourth in profits as a percentage of sales? Not at all. It ranks in 123rd place on that basis. Well, then, how about profits as a return on invested capital, however limited the usefulness of the measure may be. Was it number four on this hit parade? No, I'm afraid not. It ranked 243rd on that basis. And among the companies which stood far above it on both of these counts was the smallest company in the entire list—number 500.

Mr. Chairman, a little study of the facts as they are reported in this "Fortune" magazine article will completely shatter the popular illusion that big companies have been fattening their profits. Taken as a group the 500 largest companies of this year increased their profits by 2½% over the levels of last year's top 500; but all the other industrial corporations—all the littler ones which did not rank among the first 500—increased their profits, as a group, by 20%.

In the light of these facts, therefore, it is pointless to argue that big, profit-hungry business has been responsible for the recent inflation. In fact—in the light of the government's own figures—it is impossible to argue that profits have contributed to inflation at all.

These figures show that the total profits of all corporations, after taxes, were $22.1 billions in 1950 and that they have never been as large as that since then without even considering the declining value of those dollars of profits. And whereas profits represented 9% of the total national income in 1950, they had shrunk to only 6% of the national income by last year.

So it is a little difficult for me to understand how shrinking profit levels can cause inflation. Compensation of employees, of course, has risen by $87 billion during this same period; and as a share of the total national income it has increased from 64% to 70%. So if it is the belief of this Committee that "concentration of power" may have something to do with rising prices, I would merely suggest that perhaps you gentlemen are looking on the wrong side of the bargaining tables.

I am aware, of course, that U. S. Steel is often blamed for wage inflation. It is said that we do not really fight against uneconomic wage increases, becau e we can easily pass them along to our customers. And it has been suggested to this committee that we be barred by law from raising prices following a wage increase—the supposition being, presumably, that we will thus be forced to resist the union more strongly.

Well, let's look at that one for a moment.

In the first place, a mere glance at our profit rate since 1940 will show that neither U. S. Steel nor the steel industry as a whole has been able to pass these rising costs along in their entirety. We have had to absorb a part of them. But that, perhaps, is beside the point.

Five Costly Strikes in Last Eleven Years

The real point is this: To enforce what we regard as inflationary wage demands, the union has struck our plants five times in the past 11 years; and we have taken these costly strikes in an effort to hold the line against inflation. But hardly has one of these strikes begun before there is a nationwide demand that we settle it. Our customers must have steel or close their plants. Their employees face layoffs and loss of pay. The government, too, must have steel; and daily the pressures upon us keep building up. And ultimately—if we do not settle—we may face the threat of government intervention, as happened five years ago when the then President of the United States seized our plants illegally and sought to grant the union demands in full.

In our most recent negotiation last year—after a five-week strike—we signed a labor agreement. It was that labor agreement which foreordained our recent price increase.

Under that three-year labor agreement, we hoped to narrow at least slightly the inflationary gap between our rapidly-mounting wage costs and our slowly-rising output per man hour. Only time can tell if what we did represented progress.

On July 1 of this year we faced what our recent total wage-cost history demonstrates was about a 6½% increase in our total costs per man hour; and to cover these costs in part, we raised our steel prices by an average of 4%.

This action of ours was promptly denounced on the floors of Congress and elsewhere as being "irresponsible" and contrary to the "public interest." It signaled the launching of a concerted attack which brought down upon our heads all of the unfounded assumptions, the myths, and the economic superstitions that I have already discussed here; and from these convenient assumptions it was no effort at all for a number of people to jump to the conclusion that Congress should subject our basic industries and larger enterprises to price and profit controls—by the force of persuasion, or by the force of law.

In the midst of the attack, nobody stopped to think that inflation has thus far been much less serious in America, under freedom of enterprise, than it has in many other countries of the world where the deadening hand of government controls has long been present. No one bothered to explain just what it is that is wrong with an American industrial system that is the envy of the rest of the world; nor did anyone ask what kind of a system is to be set up in its place—or by whom.

The impulse of governments to extend their powers ever farther over the lives and activities of the citizenry has persisted throughout history; and it still persists today among a number of sincere, patriotic and well-meaning members of Congress. But that doesn't make it a good thing to do nor prove that abandoning freedom in enterprise is in the interest of the people. It also occurs to me that you conscientious and overworked gentlemen who are running this country have troubles enough of your own as it is, without taking on all of ours. So perhaps we ought to look into this question of "irresponsibility" and the "public interest" for a moment, before we throw the baby out with the wash-water.

Now if the popular thing to do were always the responsible thing to do, a businessman's lot would be a much happier one—and so, I suspect, would a Senator's. There is no doubt that the popular thing for U. S. Steel to have done would have been to permit its mounting costs to rise, uncompensated, and thus to endanger not only the financial strength of the company, but also the jobs of its employees, and even, perhaps, the security of the nation. But would that have been the responsible thing to do; and would it have been in the public interest?

Meeting Responsibilities Depends Upon Extent of Profits

You see, United States Steel, like any other enterprise, has many responsibilities which must be weighed not only in the light of present-day pressures, but also in the light of long-range necessities. One of these is our obligation to our shareowners, who are widely assumed to be people of great wealth—people who do not really need their dividends anyway.

But a survey which we took among them four years ago showed that more than half of these stockholders had incomes of less than $4,500 a year, and many of them had less than $2,000. That was not just what they got from U. S. Steel, you understand. That was their total income from all taxable sources. So, the incomes of more than half of our stockholders were less than the average wage we were then paying to the men in our mills.

What, then, is our responsibility to these people? Are we fulfilling our responsibility to them if we subtract from their incomes in order to add to the incomes of our workers and to meet our other costs? Should we, in short, rob Peter to pay David?

But entirely apart from its obligations to its owners, United States Steel has grave, long-range, responsibilities to the nation as a whole—responsibilities which are continuously taxing its financial resources—and the extent of United States Steel's ability to meet these responsibilities is directly dependent on the extent of its profits.

In the face of inadequate depreciation allowances, it is reinvesting a substantial part of its profits in the replacement of obsolete and worn out equipment in order to remain efficient and productive, and to hold costs and prices down. No one will doubt that that is a part of our responsibility.

The potential supply of iron ore available within this nation's borders will undoubtedly last beyond the lifetime of any of the present officers of our company. But that is not enough. For the future security of the company, of the industry, and of the nation, huge new reserves are constantly being discovered, evaluated and developed as our work in Venezuela, Canada, Wyoming and the Lake Superior District illustrates. That, too, is surely a part of our responsibility—a responsibility we share with others in our industry.

Beyond that we are, today, building costly new facilities to treat and upgrade raw materials which are dwindling in quality. We must have multi-million-dollar plants for the washing of metallurgical coal; beneficiating plants to process iron ore, and sintering plants to increase the productivity of our blast furnaces.

Out of Research Will Come Superior Metals of the Future

As an important industrial unit, research—regardless of how costly it is—is also a part of our responsibility. And we believe our new research center at Monroeville, Pa., is further evidence of our efforts to carry out that responsibility. In our laboratories there, we are seeking to develop new steels that will withstand—as no other metal can—the terrific heats that will be generated by atmospheric friction in the supersonic planes of the future. There, too, we are engaged in a program of fundamental research designed to extend man's knowledge of the iron atom, and to discover — as scientists believe they may — a metal twice as strong as any now existing in the world.

Beyond all that there is the ever-present need for new steelmaking capacity so that the economic growth and security of this nation may never be jeopardized by the lack of steel. To play our full part in maintaining an adequate steel supply is—we believe—a compelling responsibility. That is our business, and there is no better reason for our existence.

But no one of these responsibilities is possible of fulfillment by a profit-starved industry or by a company suffering from financial malnutrition.

Too Much or Too Little Steel?

Popularity is a fickle thing. Shortly before World War Two we were critically examined in these very halls for having too much steelmaking capacity in what was then termed by some economists a "mature" economy. With those economists we definitely were not popular, yet within a matter of months Pearl Harbor was upon us; and you will recall how important that supposedly excessive steel capacity was to all of us and how the plants of United States Steel were called upon to out-produce all the steel plants in all the Axis nations put together. I assure you that was a very popular thing to do at the time.

Only five years later, however—when we were summoned before another investigating committee of the Congress—we were denounced on the grounds that we looked too big to some of the investigators. And counsel for the committee made a great point of the fact that no nation on earth—outside the United States—could produce as much steel as our company could. That, he said, was not good—and we were then unpopular with him.

Today that charge can no longer be made against us—for there is one country on this earth which now produces much more steel than does our company. That country is the Union of Soviet Socialist Republics — a thought provoking fact which no one in our industry or our corporation can overlook.

If steel companies become unpopular because they are too big, they may manage to survive it somehow; but if they ever become unpopular because they are too small, it is quite possible that none of us may survive it.

So in the light of these facts and all of these responsibilities, I commend to the thoughtful consideration of this committee the question of whether or not our price action was "responsible" and in the public interest.

Narda Microwave Corp. Common Stock Offered

An offering of 90,000 shares of common stock (par 10 cents) of The Narda Microwave Corp. is being made publicly by Milton D. Blauner & Co. Inc. and Michael G. Kletz & Co. Inc. at $3 per share.

The net proceeds from this financing will be used to retire bank loans, for product development and research program, new equipment and for working capital and general corporate purposes.

Giving effect to the sale of the new stock, there will be outstanding 600,000 shares of common stock.

The Narda Microwave Corp., incorporated in New York on July 1, 1954, is engaged in the manufacture of microwave and ultra-high frequency (UHF) electronic test equipment, including a proprietary product line for communication and radar detection systems, television stations, microwave relay stations, and for the navigation systems market.

Quincy Cass Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George Kunitake and Dexter S. Ragatz have become affiliated with Quincy Cass Associates, 727 West Seventh Street, members of the Pacific Coast Stock Exchange.

Joins Dempsey Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Harry A. Cottingham has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Cottingham was formerly with Blyth & Co. In the past he conducted his own investment business in Pasadena.

With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Robert D. Burgener has become associated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. Mr. Burgener was formerly with Hill Richards & Co.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Akin Distributors, Inc.
Aug. 2 (letter of notification) 90,000 shares of class A common stock, 90,000 shares of class B common stock and 25,000 shares of preferred stock (all of $1 par value). **Price**—Of class A and class B common, $1.50 per share; and of preferred, $1 per share. **Proceeds**—To retire bank loans and for working capital. **Office**—718 South Boulder, Tulsa, Okla. **Underwriter**—May be Walston & Co., Tulsa, Okla.

★ All American Life & Casualty Co. (9/9)
Aug. 16 filed 300,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Sept. 6 at the rate of one new share for each six shares held; rights to expire on Sept. 23. **Price**—To be supplied by amendment. **Proceeds** — For expansion. **Office**—Park Ridge, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

● Allied Paper Corp., Chicago, Ill.
July 15 filed 21,000 shares of common stock (par $8) being offered in exchange for outstanding common stock of Allied-Albany Paper Corp. on the basis of 5/22nd of a share of Allied stock for each share of Allied-Albany stock; offer to expire on Sept. 6. Statement effective Aug. 7. **Exchange Agent**—Continental Illinois National Bank & Trust Co., Chicago, Ill.

Aloe (A. S.) Co., St. Louis, Mo.
Aug. 9 (letter of notification) 7,450 shares of common stock (par $5). **Price**—At market (estimated at $37 per share). **Proceeds**—To Estate of Edith R. Aloe, deceased. **Underwriters** — Newhard, Cook & Co. and Scherck, Richter Co., both of St. Louis, Mo.

● Alsco, Inc., Akron, Ohio (8/28)
June 28 filed 200,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds** — For expansion, repayment of loans and for working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

American Trailer Co., Washington, D. C.
July 11 (letter of notification) $120,000 of 10-year 6% first mortgage bonds (in denominations of $1,000 each), 120 warrants for common stock and 1,500 shares of common stock (no par). Each $1,000 bond has detachable warrants for 10 common shares at $15 per share exercisable at any time through June 30, 1959. **Price**—Of bonds, at par. **Proceeds** — For construction and improvements, payment of debts and working capital. **Office**—5020 Wisconsin Ave., Washington, D. C. **Underwriter**—Mackall & Coe, Washington, D. C.

★ Amphenol Electronics Corp. (9/10-11)
Aug. 21 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For acquisition program, including acquisition of Danbury-Knudsen, Inc. **Underwriter**—Hornblower & Weeks, New York.

Anchorage Gas & Oil Development Co., Inc.
July 24 (letter of notification) 160,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For development of oil and gas properties. **Office** — 505 Barrow St., Anchorage, Alaska. **Underwriter**—Grace C. Tucker, 500 Wall St., Seattle, Wash.

Apache Oil Corp., Minneapolis, Minn.
July 22 filed 200 participating units in Apache Oil Program 1958. **Price**—$10,000 per unit. **Proceeds**—To acquire, develop and operate oil and gas leaseholds; and for other corporate purposes. Underwriter none; sales to be made through corporation and APA, Inc., its subsidiary.

★ Belgium (Kingdom of) (9/11)
Aug. 20 filed $30,000,000 of external loan 15-year sinking fund bonds due 1972 (U. S. dollars). **Price**—To be supplied by amendment. **Proceeds** — To finance various public works projects being undertaken by the Belgian Government. **Underwriters**—Morgan Stanley & Co. and Smith, Barney & Co., both of New York.

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Bridgeview Towers Associates, Fort Lee, N. J.
July 25 filed $360,000 of participations in partnership interests. **Price**—$10,000 each participation (minimum). **Proceeds**—To buy an apartment building. **Underwriter**—None.

Broderick & Bascom Rope Co., St. Louis, Mo.
Aug. 12 (letter of notification) 20,000 shares of common stock (par $1). **Price**—At market (estimated at $13 per share). **Proceeds**—To Estate of Charles E. Bascom, deceased. **Underwriters**—McCormick & Co., Chicago, Ill.; Stifel, Nicolaus & Co., Inc., St. Louis, Mo.; and Schneider, Bernet & Hickman, Dallas, Texas.

● Calvert Drilling, Inc., Olney, Ill. (9/10)
Aug. 13 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To prepay bank debt and other indebtedness and for working capital and other general corporate purposes. **Underwriter**—W. E. Hutton & Co., Cincinnati, Ohio.

● Cameron Industries, Inc., New York
June 7 filed 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Underwriter**—R. G. Worth & Co., Inc., New York. Stop order proceedings instituted. Hearing scheduled for Aug. 27.

Caramba Mokafe Corp. of America
July 12 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For machinery, equipment, inventory and working capital. **Office**—701 Monroe St., Hoboken, N. J. **Underwriter**—Garden State Securities, Hoboken, N. J.

★ Carolina Pipeline Co., Greenville, S. C. (9/11)
Aug. 16 filed $1,050,000 of 7% subordinate interim notes due 1963 and 42,000 shares of common stock (par $1) to be offered in units of $25 of notes and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—For construction of pipe line. **Underwriters** — White, Weld & Co., New York, and Scott, Horner & Co., Lynchburg, Va.

★ Carolina Pipeline Co., Greenville, S. C. (9/11)
Aug. 16 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For construction of pipe line. **Underwriters**—White, Weld & Co., New York; and Scott, Horner & Co., Lynchburg, Va.

Chatham Oil Producing Corp.
July 29 (letter of notification) 100,000 shares of 19 cent non-cumulative convertible first preferred stock (par 30 cents). **Price**—$3 per share. **Proceeds**—For oil development operations. **Office**—42 Broadway, New York 4, N. Y. **Underwriter**—G. F. Rothschild & Co., Inc., New York, N. Y.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

Cincinnati & Suburban Bell Telephone Co. (9/3)
Aug. 2 filed 124,991 shares of capital stock to be offered for subscription by stockholders of record Aug. 27, 1957 on the basis of one new share for each 10 shares held; rights to expire on Oct. 3, 1957. **Price**—At par ($50 per share.) **Proceeds**—To reduce bank loans. **Underwriter**—None. American Telephone & Telegraph Co. owns approximately 30% of the outstanding capital stock.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York.

Comico Corp., Memphis, Tenn. (9/3-6)
May 2 filed 750,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To construct mill; for payment on mining leases and royalty agreement. **Underwriter**—Southeastern Securities Corp., New York.

Consolidated Fenimore Iron Mines, Ltd.
June 26 (letter of notification) 150,000 shares of common stock (par $7). **Price**—At market (closing price on Toronto Stock Exchange as of June 14, 1957 was $1.82 bid and $1.85 asked, per share). **Proceeds**—For mining expenses. **Office**—c/o Roy Peers, 9 De Casson Rd., Montreal, Canada. **Underwriters**—Thomason, Kernaghan & Co., Ltd., Toronto, Canada, and R. P. Mills & Co., Ltd., Montreal, Canada.

★ Consolidated Natural Gas Co. (9/17)
Aug. 15 filed $30,000,000 of debentures due Sept. 1, 1982. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 17 at Room 3000, 30 Rockefeller Plaza, New York 20, N. Y.

Conticca International Corp., Chicago, Ill.
March 13 filed 558,100 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds** — To discharge current notes payable, including bank loans, and long term debt in the total sum of approximately $1,030,000; for new equipment; and for working capital. **Underwriters** — Allen Shaw & Co., 405 Lexington Ave., New York 17, N. Y.; and Shaw & Co., San Marino, Calif.

Cougar Mine Development Corp.
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

★ Cushman Food Co., Inc., Aiken, S. C.
Aug. 14 (letter of notification) 100,000 shares of common stock (par 20 cents). **Price**—$3 per share. **Proceeds**—For payment of indebtedness, equipment, raw materials, additions to plant, buildings, and working capital. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter**—Herrin Co., Seattle, Wash.

● Dilbert's Quality Super Markets, Inc. (9/9-13)
Aug. 1 filed 180,000 shares of 7% cumulative first preferred stock (par $10) and 180,000 shares of common stock (par 10 cents) to be offered in units of one preferred and one common share. **Price**—$10.10 per unit. **Proceeds**—To acquire Big Ben Supermarkets; for equipment and merchandise for five new supermarkets; and for working capital and other corporate purposes. **Office**—Glendale, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

Duke Power Co. (9/10)
Aug. 8 filed $50,000,000 of sinking fund debentures due Sept. 1, 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids** — Tentatively scheduled to be received on Sept. 10.

★ Eagle Oil & Supply Co., Inc.
Aug. 16 (letter of notification) 125,000 shares of common stock (par $1). **Price**—$1.20 per share. **Proceeds**—For working capital. **Office**—77 Woodbine St., Quincy, Mass. **Underwriter**—Pilgrim Securities, Inc., New York, N. Y.

El Paso Natural Gas Co. (8/28)
Aug. 7 filed $60,000,000 convertible debentures due Sept. 1, 1977 to be offered for subscription by common and common B stockholders of record Aug. 26, 1957, with rights to expire on Sept. 11, 1957. **Price**—100% of principal amount. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—White, Weld & Co., New York.

El Paso Natural Gas Co. (8/28)
Aug. 7 filed 100,000 shares of cumulative preferred stock, second series of 1957 (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—White, Weld & Co., New York.

★ Electronics Investment Corp.
Aug. 15 filed three Systematic Investment Plans, aggregating $15,000,000, for the accumulation of shares of this Fund. **Underwriter** — Fleetwood Securities Corp. of America, San Diego, Calif.

★ Eljo Oil & Mining Corp.
Aug. 12 (letter of notification) 250,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For equipment and working capital. **Office** — 710 South Fourth St., Las Vegas, Nev. **Underwriter**—None.

Empire Sun Valley Mining Corp., Jerome, Ida. (9/3)
Aug. 9 filed 340,000 shares of common stock, of which 200,000 shares are to be publicly offered at $3 per share and 140,000 shares to stockholders of Sun Valley Mining Corp. at $1 per share. **Proceeds**—For exploration and acquisition of mines; and for working capital. **Underwriter**—For public offer, John Sherry Co., New York.

Employers' Group Associates, Boston, Mass. (8/29)
Aug. 9 filed 88,761 shares of common stock (no par) to be offered for subscription by common stockholders of record August 28 on the basis of one new share for each four shares held, rights to expire on Sept. 17. **Price**—To be supplied by amendment. **Proceeds**—For formation of life insurance company, 51% of the voting stock of which will be owned by Employees & Group Associates and the remainder by The Employers' Liability Insurance Corp. Ltd. **Underwriter**—Morgan Stanley & Co., New York.

● Federal Insurance Co.
June 7 filed 400,000 shares of capital stock (par $4) being offered in exchange for 100,000 shares of Colonial Life Insurance Co. of America capital stock (par $10) on the basis of four Federal shares for each Colonial Share. Offer has become effective upon acceptance by holders of more than 95% of Colonial stock and will continue to and including Sept. 20, when it expires. **Dealer-Managers**—The First Boston Corp. and Spencer Trask & Co., both off New York. **Exchange Agent**—Fidelity Union Trust Co., Newark, N. J.

★ Federal Steel Corp., Darlington, Pa.
Aug. 7 (letter of notification) 11,000 shares of 7% cumulative preferred stock and 11,000 shares of common stock in units of one share of each class of stock. **Price**—$10 per unit. **Proceeds**—For additional equipment and working capital. **Underwriter** — Richards & Co., Pittsburgh, Pa.

First National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase

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options. Price—To public, $12 per share. Proceeds—For expansion and other corporate purposes. Underwriter—None.

★ **Flag Harbor Corp.**
Aug. 18 (letter of notification) $250,000 of 10-year 6% cumulative income subordinated debentures due Oct. 1, 1967, and 25,000 shares of class A common stock (par 10 cents) to be offered in units of a $1,000 debenture and 100 shares of stock. **Price**—$1,010 per unit. **Proceeds**—To enlarge and continue a marine yacht basin serving substantial and growing local communities. **Office**—Long Beach, St. Leonard, Md. **Underwriter**—None.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property **Underwriter**—None.

★ **Foremost Dairies, Inc., Jacksonville, Fla. (9/4)**
Aug. 16 filed 200,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To Grover D. Turnbow, President, who is the selling stockholder. **Underwriters**—Dean Witter & Co. and Allen & Co., both of New York.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25. D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W. Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

General Telephone Co. of California (8/27)
Aug. 7 filed 500,000 shares of cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Mitchum, Jones & Templeton, Los Angeles, Calif.

General Telephone Co. of the Southeast
July 18 filed 120,000 shares of 5.80% cumulative preferred stock (par $25), of which 92,120 shares are being offered in exchange for the following outstanding securities on a share-for-share basis, plus, in each case, cash equivalent to the redemption premium for each such share offered in exchange: 5½% and 6% cumulative preferred stocks of Durham Telephone Co., the 6% cumulative preferred stock of Georgia Continental Telephone Co., and the 5½% cumulative preferred stock of South Carolina Continental Telephone Co. and of Southern Continental Telephone Co. This offer will expire on Aug. 30, 1957. All shares not surrendered for exchange will be redeemed on Sept. 12, 1957. The remaining 27,880 shares were offered to the public at par and accrued dividends. **Dealer-Managers**—Paine, Webber, Jackson and Curtis and Stone & Webster Securities Corp., both of New York.

● **General Telephone Corp., New York**
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) which were offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 preferred, $1.30 preferred and $1.32 preferred. Offer to preferred stockholders expired on Aug. 14 and that to common stockholders of Peninsular extended to Sept. 13. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

★ **Genie Craft Corp. (8/23)**
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18th St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Giant Petroleum Corp.
July 22 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To

Continued on page 36

NEW ISSUE CALENDAR

August 23 (Friday)

Genie Craft Corp.________Debentures & Common
(Whitney & Co., Inc.) $100,000 of debentures and 120,000 shares of stock in units

Walter (Jim) Corp.__________Bonds & Common
(Carl M. Loeb, Rhoades & Co. and Prescott, Shepard & Co., Inc.) $2,425,000

August 26 (Monday)

New York Central RR.________Equip. Trust Ctfs.
(Bids noon EDT) $3,555,000

Seminole Oil & Gas Corp.______________Common
(Albert & Co., Inc.) $206,250

Strato-Missiles, Inc. ____________________Common
(Kesselman & Co.) $300,000

August 27 (Tuesday)

General Telephone Co. of California ____Preferred
(Paine, Webber, Jackson & Curtis and Mitchum Jones & Templeton) $10,000,000

Southern California Edison Co.____________Bonds
(Bids 8:30 a. m. PDT) $40,000,000

Steel Improvement & Forge Co.__________Common
(Fulton, Reid & Co., Inc.) 86,709 shares

August 28 (Wednesday)

Alsco, Inc. ___________________________Common
(Van Alstyne, Noel & Co.) 200,000 shares

El Paso Natural Gas Co.______________Debentures
(White, Weld & Co.) $60,000,000

El Paso Natural Gas Co.________________Preferred
(White, Weld & Co.) $10,000,000

Public Service Electric & Gas Co.____________Bonds
(Bids 11 a.m. EDT) $60,000,000

Texota Oil Co.________________________Debentures
(Piper, Jaffray & Hopwood) $650,000

Walt Disney Productions________________Common
(Goldman, Sachs & Co., Lehman Brothers and Kidder, Peabody & Co.) 400,000 shares

August 29 (Thursday)

Employers' Group Associates______________Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) 88,761 shares

United Utilities, Inc.____________________Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 312,506 shares

August 31 (Saturday)

Pacific Telephone & Telegraph Co.________Common
(Offering to stockholders—no underwriting) 1,822,523 shares

September 3 (Tuesday)

Cincinnati & Suburban Telephone Co._____Common
(Offering to stockholders—no underwriting) 124,991 shares

Comico Corp. ____________________________Common
(Southeastern Securities Corp.) $1,500,000

Empire Sun Valley Mining Corp.__________Common
(John Sherry Co.) $300,000

Northwestern Public Service Co.____________Bonds
(Bids 10 a.m. CDT)

Quaker State Foods Corp._______________Preferred
(Childs, Jefferies & Thorndike, Inc. and Syle & Co.) $91,540

Scott-Paine Marine Corp.___Preferred & Common
(Winslow, Cohu & Stetson, Inc.) $298,000

Stratford (John G.) Film Corp.___________Common
(Joseph Mandell Co.) $299,999

September 4 (Wednesday)

Foremost Dairies, Inc.__________________Common
(Dean Witter & Co. and Allen & Co.) 200,000 shs.

Louisville Gas & Electric Co.________________Bonds
(Bids 10:30 a. m. CDT) $12,000,000

Westcoast Transmission Co., Ltd.______Debentures
(Eastman Dillon, Union Securities & Co.) $25,000,000

September 5 (Thursday)

Hycalog, Inc. ________________________Debentures
(Keith, Reed & Co., Inc.; Aetna Securities Corp.; and Roman & Johnson) $300,000

Silvray Lighting, Inc.____________________Common
(Auchincloss, Parker & Redpath; Milton D. Blauner & Co., Inc. and Halloweil, Sulzberger & Co.) 237,033 shs.

Southern Pacific Co.__________Equip. Trust Ctfs.
(Bids noon EDT) $7,500,000

Tampa Electric Co.__________________________Bonds
(Bids 11 a.m. EDT) $18,000,000

Tampa Electric Co.______________________Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 217,286 shares

September 9 (Monday)

All American Life & Casualty Co.________Common
(Offering to stockholders—underwritten by A. C. Allyn & Co. Inc.) 300,000 shares

Dilbert's Quality Super Markets, Inc.
______________________Preferred & Common
(S. D. Fuller & Co.) $1,818,000

Krueger (W. A.) Co._____________________Common
(Straus, Blosser & McDowell) $800,000

September 10 (Tuesday)

Amphenol Electronics Corp.______________Common
(Hornblower & Weeks) 200,000 shs.

Calvert Drilling, Inc.____________________Common
(W. E. Hutton & Co.) 250,000 shares

Duke Power Co.____________________________Bonds
(Bids to be invited) $50,000,000

Roach (Hal) Productions_________________Common
(S. D. Fuller & Co.) $1,125,000

St. Louis County National Bank_________Common
(Offering to stockholders—to be underwritten by G. H. Walker & Co.) 30,000 shares

Scott & Fetzer Co.______________________Common
(McCormick & Co.) 38,000 shares

September 11 (Wednesday)

Belgium (Kingdom of)________________________Bonds
(Morgan Stanley & Co. and Smith, Barney & Co.) $30,000,000

Carolina Pipeline Co.____________Note & Common
(White, Weld & Co. and Scott, Horner & Co.) $1,050,000 of debs. and 42,000 common shs.

Caroline Pipeline Co.____________________Common
(White, Weld & Co. and Scott, Horner & Co.) 300,000 shs.

Hagan Chemicals & Controls, Inc.________Preferred
(Singer, Deane & Scribner) $1,500,000

Lehigh Portland Cement Co.____________Debentures
(The First Boston Corp.) $30,000,000

Lehigh Portland Cement Co.______________Common
(Offering to common stockholders—underwritten by The First Boston Corp.) 380,312 shares

New Jersey Bell Telephone Co.__________Debentures
(Bids to be invited) $30,000,000

Sperry Rand Corp.______________________Debentures
(Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane) $110,000,000

September 12 (Thursday)

Philadelphia Electric Co.____________________Bonds
(Bids to be invited) $40,000,000

September 16 (Monday)

National Cylinder Gas Co.______________Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $17,500,000

New Haven Water Co.____________________Common
(Offering to stockholders—no underwriting) $3,000,000

September 17 (Tuesday)

California Electric Power Co.____________Preferred
(Kidder, Peabody & Co. and Merrill Lynch, Pierce Fenner & Beane) $7,000,000

Consolidated Natural Gas Co.__________Debentures
(Bids 11:30 a.m. EDT) $30,000,000

General Tire & Rubber Co.____________Debentures
(Kidder, Peabody & Co.) $12,000,000

September 18 (Wednesday)

Pacific Power & Light Co.____________________Bonds
(Bids noon EDT) $20,000,000

September 19 (Thursday)

Norfolk & Western Ry._____Equipment Trust Ctfs.
(Bids noon EDT) $4,260,000

September 23 (Monday)

Consumers Power Co.________________________Bonds
(Bids 11:30 a.m. EDT) $35,000,000

Northern Indiana Public Service Co.__________Bonds
(Bids to be invited) $20,000,000

September 24 (Tuesday)

Niagara Mohawk Power Corp.________________Bonds
(Bids to be invited) $40,000,000

Utah Power & Light Co.______________________Bonds
(Bids to be invited) $15,000,000

Utah Power & Light Co.____________________Common
(Bids to be invited) 400,000 shares

September 25 (Wednesday)

Northern Illinois Gas Co.______Bonds or Preferred
(Bids to be invited) $8,000,000 to $10,000,000

September 30 (Monday)

Gulf States Utilities Co.______________________Bonds
(Bids noon EDT) $17,000,000

October 1 (Tuesday)

Southwestern Bell Telephone Co.______Debentures
(Bids to be invited) $100,000,000

October 3 (Thursday)

Columbia Gas System, Inc._______________Debentures
(Bids to be invited) $25,000,000

October 8 (Tuesday)

Commonwealth Edison Co.________Bonds or Preferred
(Bids to be invited) $25,000,000 to $50,000,000

October 9 (Wednesday)

Public Service Co. of Indiana, Inc.__________Bonds
(Bids to be invited) $30,000,000

October 10 (Thursday)

Colorado Fuel & Iron Corp.___________________Bonds
(Allen & Co.) about $40,000,000

Toledo Terminal RR.___________________________Bonds
(Bids to be invited) $6,000,000

October 14 (Monday)

California Oregon Power Co.__________________Bonds
(Bids to be received) $10,000,000

October 16 (Wednesday)

Consumers Power Co._____________________Debentures
(Offering to common stockholders—bids noon EDT) $35,156,760

Pennsylvania Power Co.________________________Bonds
(Bids to be invited) $8,000,000

October 22 (Tuesday)

Consolidated Edison Co. of New York, Inc.___Bonds
(Bids 11 a.m. EDT) $50,000,000

October 29 (Tuesday)

American Telephone & Telegraph Co.___Debentures
(Bids to be invited) $250,000,000

November 19 (Tuesday)

Ohio Power Co.________________________________Bonds
(Bids 11 a.m. EST) $28,000,000

Ohio Power Co.____________________________Preferred
(Bids 11 a.m. EST) $7,000,000

December 3 (Tuesday)

Virginia Electric & Power Co.________________Bonds
(Bids to be invited) $20,000,000

December 10 (Tuesday)

Indiana & Michigan Electric Co._____________Bonds
(Bids 11 a.m. EST) $20,000,000

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pay outstanding debt and for working capital. **Office**—225 East 46th St., New York, N. Y. **Underwriter**—A. G. Bellin Securities Corp., 52 Broadway, New York, N. Y.

★ Grand Canyon Life Insurance Co.
Aug. 15 (letter of notification) 33,750 shares of common stock (par $1) to be offered to policyholders on the basis of one share for each $2 dividend received. **Price**—$2 per share. **Proceeds**—For capital and surplus accounts. **Office**—3520 North 16th St., Phoenix, Ariz. **Underwriter**—None.

Great Lakes Natural Gas Corp.
July 15 filed 779,393 shares of common stock (par 50 cents) to be offered for subscription by common stockholders of Great Lakes Oil & Chemical Co. on basis of one-fourth share of Natural Gas stock for each share of Oil & Chemical stock held with an oversubscription privilege. **Price**—$1.25 per share. **Proceeds**—For exploration costs, improvements, expansion, etc. **Office**—Los Angeles, Calif. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

★ Great Plains Petroleum Corp.
Aug. 15 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—To acquire oil and gas leases. **Office**—1216 Oil National Bank Bldg., Spokane, Wash. **Underwriter**—None.

★ Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ Hagan Chemicals & Controls, Inc., Pittsburgh, Pa. (9/11)
Aug. 20 filed 30,000 shares of cumulative convertible preferred stock (par $50). **Price** — To be supplied by amendment. **Proceeds** — For construction of research laboratory and working capital. **Underwriter** — Singer, Deane & Scribner, Pittsburgh, Pa.

★ Highland Telephone Co.
Aug. 15 (letter of notification) 2,350 shares of common stock (no par) and $200,000 of 4% convertible debentures due 1972. **Price**—For stock, $42.50 per share; for debentures, at par (in denominations of $500 each). **Proceeds**—To repay bank loans and for capital improvements. **Office**—145 North Main St., Monroe, N. Y. **Underwriter**—None.

Holy Land Import Corp., Houston, Texas
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

● Hycalog, Inc. (9/5)
July 24 (letter of notification) $300,000 of 6¾% convertible debentures due Sept. 1, 1967 to be first offered for subscription by stockholders. **Price** — 99% of principal amount. **Proceeds**—To retire bank notes and to purchase equipment. **Office**—505 Aero Drive, Shreveport, La. **Underwriters**—Keith, Reed & Co., Inc., Dallas, Tex.; Aetna Securities Corp., New York, N. Y.; and Roman & Johnson, Fort Lauderdale, Fla.

★ Industro Transistor Corp.
Aug. 14 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For machinery, equipment, raw materials and working capital. **Office**—649 Broadway, New York, N. Y. **Underwriter**—None.

★ Inland Western Loan & Finance Corp.
Aug. 16 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered for subscription by holders of special participation life or endowment contracts issued by Commercial Life Insurance Co. **Price**—$1.50 per share. **Proceeds**—For operating capital for two subsidiaries and to finance expansion program. **Office**—Phoenix, Ariz. **Underwriter**—None.

★ International Insurance Investments, Inc., Englewood, Colo.
July 29 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For operation of an insurance company in Colorado through its subsidiaries. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

Jaraf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

★ Krueger (W. A.) Co., Milwaukee, Wis. (9/9-13)
Aug. 12 filed 100,000 shares of common stock (par $5). **Price**—$8 per share. **Proceeds**—For construction of new plant, for payment of equipment notes, etc., and for working capital. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

★ Lehigh Portland Cement Co. (9/11)
Aug. 20 filed $30,000,000 of sinking fund debentures due 1979. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion and working capital. **Office**—Allentown, Pa. **Underwriter**—The First Boston Corp., New York.

★ Lehigh Portland Cement Co. (9/11)
Aug. 20 filed 380,312 shares of common stock (par $15) to be offered for subscription by common stockholders of record Sept. 10, 1957 on the basis of one new share for each 10 shares held; rights to expire on Sept. 25, 1957. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—The First Boston Corp., New York.

Louisville Gas & Electric (9/4)
Aug. 8 filed $12,000,000 of first mortgage bonds due Sept. 1, 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Kidder, Peabody & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Scheduled to be received up to 10:30 a.m. (CDT) on Sept. 4.

Madison Improvement Corp., Madison, Wis.
July 29 filed 50,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital, etc. **Underwriter**—None. Henry Behnke is President.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho. Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

★ Micro Abrasives Corp.
Aug. 14 (letter of notification) 1,750 shares of class A stock (no par) and 2,000 shares of class B stock (par $50). **Price**—$50 per share. **Proceeds** — For equipment, inventory and working capital. **Office**—720 Southampton Road, Westfield, Mass. **Underwriter**—None.

★ Midwest Piping Co., Inc., St. Louis, Mo.
Aug. 19 filed 25,000 shares of common stock (par $5) to be issued and sold under the company's Restricted Stock Option Plan for eligible employees of the company.

★ Molybdenum Corp. of America
Aug. 14 filed 196,994 shares of common stock (par $1) and stock purchase warrants to buy an additional 196,994 shares of common stock to be offered for subscription by common stockholders in units of one share and one warrant for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Office** — Grant Bldg., Pittsburgh, Pa. **Underwriter**—None.

Mon-O-Co Oil Corp., Billings, Mont.
July 11 filed 22,474 shares of class A common stock and 539,376 shares of class B common stock to be offered in units of one class A share and 24 class B shares, which shall not be separately transferable until May 1, 1960. Of the units, 14,474 are to be issued in exchange for or conversion of working interests in joint lease acreage operations, etc., and 8,000 are to be offered for subscription by existing stockholders, on a pro rata basis. **Price**—$75 per unit. **Proceeds**—For development and exploration costs, etc. **Underwriter**—None.

Montek Associates, Inc.
July 16 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To purchase additional electronic test equipment, shop machinery, and to increase working capital. **Office**—2604 South State St., Salt Lake City, Utah. **Underwriter**—D. Richard Moench & Co., Salt Lake City, Utah.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

★ Mortgage Clubs of America, Inc., Springfield, Mass.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. **Proceeds**—To be invested in small loans secured by second mortgage on home properties. **Underwriter**—None.

Mount Wilson Mines, Inc., Telluride, Colo.
June 24 filed 400,000 shares of class A common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For exploration and related purposes, including construction of a mill. **Underwriter** — Investment Service Co., Denver, Colo.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Mutual Investment Trust for Profit Sharing-Retirement Plans, Inc., Richmond, Va.
March 19 filed 50,000 shares of capital stock (par $1), to be offered trustees of profit sharing retirement plans. **Price**—At market. **Proceeds**—For investment. **President**—T. Coleman Andrews. **Office** — 5001 West Broad St., Richmond, Va.

Mutual Investors Corp. of New York
May 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire real estate properties and mortgages. **Office**—550 Fifth Ave., New York 36, N. Y. **Underwriter** — Stuart Securities Corp., New York.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

★ National Starch Products Inc.
Aug. 14 (letter of notification) 10,000 shares of common stock (par $1) to be offered to employees of company and its subsidiaries pursuant to stock options. **Price**—95% of closing market (rounded up to the nearest 25 cents) on Sept. 30, 1958, but not less than $22 per share. **Proceeds**—For working capital. **Office** — 270 Madison Ave., New York 16, N. Y. **Underwriter**—None.

New Brunswick (Province of)
Dec. 14, 1956, filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Indefinitely postponed.

New Haven Water Co., New Haven, Conn. (9/16)
Aug. 9 filed 60,000 shares of common stock to be offered for subscription by common stockholders of record Sept. 16, 1957, on the basis of one new share for each three shares held. **Price**—At par ($50 per share). **Proceeds**—To reduce bank loans. **Underwriter**—None.

★ New Jersey Bell Telephone Co. (9/11)
Aug. 16 filed $30,000,000 of 36-year debentures due Sept. 1, 1993. **Proceeds** — To repay advances from parent, American Telephone & Telegraph Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

★ Northern California Plywood, Inc.
Aug. 8 (letter of notification) 2,000 shares of 7% non-voting cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For logs and timber and equipment. **Address** — P. O. Box 337, Crescent City, Calif. **Underwriter**—None.

Northwestern Public Service Co. (9/3-4)
Aug. 2 filed $1,500,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; A. C. Allyn & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received up to 10 a.m. (CDT) on Sept. 3 or Sept. 4 at Room 1705, 231 So. La Salle St., Chicago 4, Ill.

Oil Ventures, Inc.
May 13 (letter of notification) 2,500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—725 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, Salt Lake City, Utah.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

★ Pacific Power & Light Co. (9/18)
Aug. 13 filed $20,000,000 of first mortgage bonds due Sept. 1, 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received up to noon (EDT) on Sept. 18.

Pacific Telephone & Telegraph Co. (8/31)
July 26 filed 1,822,523 shares of common stock to be offered for subscription by stockholders of record Aug. 28, 1957 on the basis of one new share for each six shares of common stock and/or preferred stock held; rights to expire Sept. 30. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None. American Telephone & Telegraph Co. owns 90.54% of the voting stock of Pacific T. & T. Co.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla. Joseph A. Rayvis, also of Miami, is President.

Precision Transformer Corp.
June 12 (letter of notification) $294,000 of 6% 10-year convertible debentures due June 1, 1967 and 29,400 shares of common stock (par 20 cents) to be offered in units of $500 of debentures and 50 shares of stock at $510 per unit, or $100 of debentures and 10 shares of stock at $102 per unit. **Proceeds** — To repay outstanding indebtedness and for general corporate purposes. **Office**—2218 W. Lake St., Chicago, Ill. **Under-**

writer—John R. Boland & Co., Inc., New York. **Offering**—Expected in about a week.

Prudential Investment Corp. of South Carolina
Aug. 6 filed 750,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For investment and general corporate purposes. **Office** — Columbia, S. C. **Underwriter**—None.

Public Service Electric & Gas Co. (8/28)
Aug. 1 filed $60,000,000 of first and refunding mortgage bonds due Sept. 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 28.

Pyramid Productions, Inc., New York
Sept. 27, 1956, filed 220,000 shares of com. stock (par $1) of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York. **Offering**—Date indefinite.

Quaker State Foods Corp. (9/3-6)
July 29 (letter of notification) 9,154 shares of 7% cumulative convertible preferred stock. Price—At par ($10 per share). **Proceeds** — To purchase machinery and equipment and for working capital. **Office**—131 Dahlem St., Pittsburgh, Pa. **Underwriter** — Childs, Jeffries & Thorndike, Inc., Boston, Mass.; and Syle & Co. of New York, N. Y.

• Ramapo Uranium Corp. (New York)
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilor mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

★ Regency Fund, Inc., New York
Aug. 15 filed 1,500,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Former Name**—Trinity Place Fund, Inc.

Resource Fund, Inc., New York
March 29 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. D. John Heyman of New York is President. **Investment Advisor**—Resource Fund Management Co., Inc., 60 Broadway, New York, N. Y.

• Roach (Hal) Productions (9/10-11)
Aug. 8 filed 375,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion of production of filmed television commercials and for working capital. **Business**—Produces films for television. **Office**—Culver City, Calif. **Underwriter**—S. D. Fuller & Co., New York.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo.

St. Paul Fire & Marine Insurance Co.
June 25 filed 417,000 shares of capital stock (par $6.25) being offered in exchange for the outstanding capital stock of Western Life Insurance Co., Helena, Mont., at rate of 1.39 shares of St. Paul stock for each share of Western stock. The offer is condiitoned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock. This offer will expire on Sept. 26, unless extended. **Exchange Agent**—First National Bank & Trust Co., Helena, Mont.

★ Scott & Fetzer Co., Cleveland, O. (9/10)
Aug. 15 filed 38,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—McCormick & Co., Cleveland, O.

★ Scott-Paine Marine Corp. (9/3)
Aug. 8 (letter of notification) 5,960 shares of 6% cumulative preferred stock (par $47.50) and 14,900 shares of common stock (par $1) to be offered in units of five shares of common and two shares of preferred. **Price**—$100 per unit. **Proceeds**—For constructing and operating "marinas," modern boat basins providing berthing facilities and all types of related services for pleasure craft. **Office**—105 Bedford St., Stamford, Conn. **Underwriter**—Winslow, Cohu & Stetson, Inc., New York, N. Y.

• Seminole Oil & Gas Corp., Tulsa, Okla. (8/26)
June 24 (letter of notification) 275,000 shares of common stock (par five cents). **Price**—75 cents per share. **Proceeds** — For development of oil and gas properties. **Underwriter**—Albert & Co., Inc., New York, N. Y.

★ Silvray Lighting, Inc., Bound Brook, N. J. (9/5)
Aug. 14 filed 237,039 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To Estate of M. B. Beck, deceased. **Underwriters**—Auchincloss, Parker & Redpath and Milton D. Blauner & Co., Inc., both of New York; and Hallowell, Sulzberger & Co., Philadelphia, Pa.

Sire Plan, Inc., New York
July 18 filed $4,000,000 of nine-month 8% funding notes. **Price**—At par (in denominations of $100 each). **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Southern California Edison Co. (8/27)
Aug. 5 filed $40,000,000 of first and refunding mortgage bonds, series J, due 1982. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to 8:30 a.m. (PDT) on Aug. 27.

Southern Industrial Corp., Jacksonville, Fla.
June 25 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To be added to the general funds of the company. **Underwriter** — Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

★ Sperry Rand Corp., New York (9/11)
Aug. 16 filed $110,000,000 of sinking fund debentures due Sept. 1, 1982 (with common stock purchase warrants). **Price**—To be supplied by amendment. **Proceeds** — For capital expenditures and working capital. **Underwriters**—Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Steadman Investment Fund, Inc.
May 10 filed 100,000 shares of common stock (par $1) to be offered in connection with merger into this Fund of Fund of Fortune, Inc., Fortune II, Inc., Fortune III, Inc. and Fortune IV, Inc. **Underwriter** — William Allen Steadman & Co., East Orange, N. J. Statement effective July 24.

Steel Improvement & Forge Co. (8/27)
Aug. 6 filed 86,709 shares of common stock (par $1), of which 60,000 shares are to be sold for account of company and 26,709 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures, payment of debt of subsidiary and for working capital. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Stratford (John G.) Film Corp. (9/3-6)
June 27 (letter of notification) 199,999 shares of common stock (par 25 cents). **Price**—$1.50 per share. **Proceeds**—For production of films, working capital, etc. **Office**—113 West 57th St., New York. **Underwriter** — Joseph Mandell Co., New York.

• Strato-Missiles, Inc. (8/26-30)
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tampa Electric Co. (9/5)
Aug. 2 filed $18,000,000 of first mortgage bonds due July 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Goldman Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co. **Bids**—To be received at 90 Broad St., New York, N. Y., up to 11 a.m. (EDT) on Sept. 5.

Tampa Electric Co. (9/5)
Aug. 2 filed 217,286 shares of common stock (par $7) to be offered for subscription by common stockholders of record Sept. 4, 1957 at the rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Sept. 23, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Stone & Webster Securities Corp., New York.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Eastern Transmission Corp.
July 22 filed 1,000,000 shares of common stock (par $7) being offered in exchange, on a share-for-share basis, for capital stock of La Gloria Oil & Gas Co. of Corpus Christi, Tex. The offer was conditioned upon deposit of at least 81% (810,000 shares) of outstanding La Gloria stock prior to Sept. 6, 1957, and it was announced on Aug. 8 that in excess of this amount had been deposited. Offer may be extended from time to time but not beyond Dec. 5, 1957. **Underwriter**—None. Statement effective Aug. 6.

Texas Glass Manufacturing Corp., Houston, Tex.
May 28 filed 2,116,292 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

Texota Oil Co., Denver, Colo. (8/28)
Aug. 7 filed $650,000 of convertible debentures due Aug. 1, 1967. **Price** —To be supplied by amendment. **Proceeds**—To repay bank loans and for drilling of wells, acquisition of new properties and payment of rentals on oil and gas leases. **Underwriter** — Piper, Jaffray & Hopwood, Minneapolis, Minn.

Thompson Products, Inc.
July 24 filed $19,729,500 of 4⅞% subordinated debentures due Aug. 1, 1982 (convertible into common stock until Aug. 1, 1967) being offered for subscription by common stockholders in the ratio of $100 of debentures for each 14 shares of stock held of record on Aug. 12, 1957; rights to expire on Aug. 27, 1957. **Price**—100% of principal amount. **Proceeds** — For working capital and other general corporate purposes. **Underwriters**—Smith, Barney & Co., New York.; and McDonald & Co., Cleveland, Ohio.

Titanic Oil Co.
May 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration of oil properties. **Office** — 704 First National Bank Bldg., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

Tripac Engineering Corp.
Feb. 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital; machine tools; equipment and proprietary development. **Office** — 4932 St. Elmo Ave., Bethesda 14, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

★ Truax-Traer Coal Co.
Aug. 19 filed $360,000 of participations in company's Employees Stock Purchase Incentive Plan, together with 15,000 shares of common stock (par $1) which may be purchased pursuant to such plan.

Truly Nolen Products, Inc.
July 19 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For plant and laboratory expansion, advertising and working capital. **Office**—6721 N. E. 4th Ave., Miami, Fla. **Underwriter**—Alfred D. Laurence & Co., Miami, Fla.

United Utilities, Inc. (8/29)
Aug. 9 filed 312,506 shares of common stock (par $10) to be offered for subscription by common stockholders of record Aug. 28, 1957, at the rate of one new share for each six shares held; rights to expire on Sept. 13, 1957. **Price**—To be supplied by amendment. **Proceeds**—For investments in subsidiary companies. **Underwriter**—Kidder, Peabody & Co., New York.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Walt Disney Productions (8/28)
Aug. 6 filed 400,000 shares of common stock (par $2.50). **Price** — To be supplied by amendment. **Proceeds** — To Atlas Corp., the selling stockholder. **Underwriters**—Goldman, Sachs & Co., Lehman Brothers and Kidder, Peabody & Co., all of New York.

• Walter (Jim) Corp., Tampa, Fla. (8/23)
July 22 filed $1,250,000 of 9% subordinated bonds due Dec. 31, 2000, and 50,000 shares of common stock (par 50 cents) to be offered in units of $25 principal amount of bonds and one share of stock. **Price**—$48.50 per unit. **Proceeds**—For working capital. **Business**—Construction of "shell" homes. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York; and Prescott, Shepard & Co., Inc., Cleveland, Ohio.

Westcoast Transmission Co., Ltd. (9/4)
Aug. 13 filed $25,000,000 of subordinated debentures series C. due April 1, 1988 (convertible until July 15, 1978). **Price** — To be supplied by amendment. **Proceeds**—For construction of pipeline. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ Westcoast Transmission Co., Ltd.
Aug. 16 filed voting trust certificates relating to 625,000 shares of capital stock, being the estimated maximum number of shares into which the series C subordinate debentures might be convertible at the initial conversion price.

★ Western Empire Life Insurance Co.
Aug. 14 (letter of notification) 5,000 shares of class A common stock (par $10). **Price**—$60 per share. **Proceeds**—For capital and surplus accounts. **Office**—Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—None.

Wycotah Oil & Uranium, Inc., Denver, Colo.
July 29 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For acquisition of property and for other corporate purposes. **Underwriter** — Teden & Co., Inc., New York. **Offering** — Expected shortly after Labor Day.

Prospective Offerings

Aircraft, Inc.
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries, Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

All States Freight, Incorporated, Akron, O.
June 21 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock warrants). **Proceeds**—Together with funds from private sale of 425,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating car-

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rier truck line. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Aluminum Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

American Telephone & Telegraph Co. (10/29)
July 17 it was announced that company plans to issue and sell $250,000,000 of debentures to be dated Nov. 1, 1957 and to mature on Nov. 1, 1983. **Proceeds**—For improvement and expansion of system. **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly). **Bids**—Expected to be opened on Oct. 29.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

★ **Bank of Hawaii, Honolulu, Hawaii**
Aug. 16 it was announced directors have authorized the offering to common stockholders of 55,000 additional shares of common stock (par $20) on the basis of one new share for each three shares held. **Price**—$37.50 per share. **Proceeds**—To increase capital and surplus.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

● **California Electric Power Co. (9/17)**
Aug. 9 it was announced the company expects to sell 140,000 shares of cumulative preferred stock (par $50). **Proceeds**—To retire short-term bank loans. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

● **California Oregon Power Co. (10/14)**
Aug. 13 company applied to the California P. U. Commission for authority to issue and sell $10,000,000 of first mortgage bonds due Oct. 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. **Bids**—Expected to be received on Oct. 14.

California Oregon Power Co.
Aug. 13 it was anounced company has applied to the California P. U. Commission for permission to issue and sell 200,000 shares of common stock (par $20). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York.

Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year, probably in the fall, approximately $7,500,000 of sinking fund debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4⅜% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

Chesapeake Industries, Inc.
June 3 it was reported company plans early registration of $3,500,000 of 5½% collateral trust sinking fund bonds due 1972 and 350,000 shares of common stock. Each $10 of bonds will carry a warrant to purchase one share of common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

★ **Chesapeake & Ohio Ry.**
Bids are expected to be received by the company in October for the purchase from it of $4,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chesapeake & Potomac Telephone Co. of Md.
July 30 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co Inc. **Offering** — Expected late November or early December.

City Investing Co., New York
July 30, Robert W. Dowling, President, announced that the directors are giving consideration to the possible future issuance of debentures which could be used largely to acquire investments producing ordinary income as well as those with growth potentials.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

★ **Colorado Fuel & Iron Corp. (10/10)**
Aug. 19 it was reported company plans to issue and sell about $40,000,000 first mortgage bonds due 1977 (with stock purchase warrants). **Underwriter** — Allen & Co., New York. **Registration**—Expected around Sept. 20.

Columbia Gas System, Inc. (10/3)
June 6, company announced that it plans the issuance and sale of $25,000,000 debentures later in 1957. **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $84,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected to be received on Oct. 3.

Columbus & Southern Ohio Electric Co.
July 22 company announced it is planning to sell publicly in October an issue of $8,000,000 par amount of cumulative preferred stock. **Price**—To be determined later. **Proceeds**—To reduce short term bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

Commerce Oil Refining Co.
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York.

Commonwealth Edison Co. (10/8)
June 25 company stated that it plans to offer $25,000,000 to $50,000,000 of new securities (kind not yet determined); no common stock financing is contemplated. **Proceeds** — For construction program. **Underwriter** — (1) For any preferred stock, may be The First Boston Corp. and Glore, Forgan & Co. (jointly). (2) For any bonds, to be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids** — Expected to be received on Oct. 8.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co. Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Consolidated Edison Co. of New York, Inc. (10/22)
Charles B. Delafield, Financial Vice-President, on July 8 announced that the company has tentatively decided to issue and sell $50,000,000 of first and refunding mortgage bonds (probably with a 30-year maturity). This may be increased to $60,000,000, depending upon market conditions. **Proceeds**—From this issue and bank loans, to pay part of the cost of the company's 1957 construction program which is expected to total about $146,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on Oct. 22.

Consumer Power Co. (9/23)
July 9 it was announced company plans to issue and sell $35,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 23.

Consumers Power Co. (10/16)
July 9 it was announced that the company plans, in addition to the bond financing, to offer to its common stockholders the right to subscribe for $35,156,760 convertible debentures maturing not earlier than Sept. 1, 1972, on the basis of $100 of debentures for each 25 shares of stock held. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Ladenburg, Thalman & Co. **Bids**—Expected to be received up to noon (EDT) on Oct. 16.

Cook Electric Co.
July 15 it was reported that company is planning some equity financing. **Underwriter**—Probably Blunt Ellis & Simmons, Chicago, Ill.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

Employers Group Associates
July 1 it was announced company plans to file a registration statement with the SEC covering the proposed issuance and sale of up to 88,761 additional shares of capital stock to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Expected in late August or early September.

General Tire & Rubber Co. (9/17)
Aug. 6 it was reported that this company is considering an issue of $12,000,000 convertible subordinated debentures (with stock purchase warrants attached). **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York. **Registration**—Expected late in August.

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co and Merrill Lynch, Pierce, Fenner & Beane.

Gulf States Utilities Co. (9/30)
Aug. 5 it was announced company plans to issue and sell $17,000,000 first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Lee Higginson Corp. **Bids**—Expected to be received up to noon (EDT) on Sept. 30.

Hathaway (C. F.) Co., Waterville, Me.
June 24 it was announced company plans soon to offer to its common stockholders some additional common stock. **Underwriter**—Probably H. M. Payson & Co., Portland, Me.

Houston Lighting & Power Co.
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

Idaho Power Co.
May 16 it was reported company plans to issue and sell around 200,000 to 225,000 shares of common stock in the Fall in addition to between $10,000,000 to $15,000,000 first mortgage bonds after Nov. 1. **Underwriter**—To be determined by competitive bidding. probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. (2) For stock—Kidder, Peabody & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

Indiana & Michigan Electric Co. (12/10)
May 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds**—For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Dec. 10.

● **Jefferson Lake Sulphur Co.**
Aug. 12 it was reported company plans to offer to common stockholders about 145,000 to 150,000 additional shares of common stock on the basis of one new share for each five shares held (for a 16-day standby). **Proceeds**—For expansion program. **Underwriters** — Hornblower & Weeks of New York; and Robert Garrett & Sons, Baltimore, Md.

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★ Laclede Gas Co.
Aug. 5 it was announced company plans to raise up to $11,700,000 new money this year through sale of new securities. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly).

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of rist mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Mangel Stores Corp.
June 19 it was reported early registration statement is expected of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

Middle South Utilities, Inc.
May 8 it was announced company may consider an offering of new common stock within the next year or so. **Proceeds**—About $19,000,000, for investment in common stocks of the System operating companies during the three-year period 1957, 1958 and 1959. **Underwriter**—Previous stock offering was to stockholders, without underwriting, with oversubscription privileges.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

• National Cylinder Gas Co. (9/16-20)
Aug. 12 it was announced company plans to offer publicly $17,500,000 of 20-year convertible subordinated debentures. **Proceeds**—For expansion and working capital. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Registration**—Expected late in August.

New England Electric System
May 23 it was announced SEC has approved the merger of the five following subsidiaries: Essex County Electric Co.; Lowell Electric Light Corp.; Lawrence Electric Co.; Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Power & Light Co.
Sept. 12, 1956, it was announced company plans to issue and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly), Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane

★ New York Central RR. (8/26)
Bids will be received by the company in New York up to noon (EDT) on Aug. 26 for the purchase from it of $3,555,000 equipment trust certificates due annually from Sept. 16, 1958 to and including 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Niagara Mohawk Power Corp. (9/24-27)
April 22 it was reported company tentatively plans to issue and sell $40,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected week of Sept. 24.

• Norfolk & Western Ry. (9/19)
Bids are expected to be received by the company up to noon (EDT) on Sept. 19 for the purchase from it of $4,260,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co. (9/25)
July 1 this company announced that it is planning to raise between $8,000,000 and $10,000,000 early this fall. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common stock or securities convertible into common stock. **Proceeds**—For construction program. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc. **Bids**—Expected to be received on Sept. 25.

★ Northern Indiana Public Service Co. (9/23-24)
Aug. 6 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co.; Equitable Securities Corp.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Central Republic Co. Inc., Blyth & Co. Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on Sept. 23 or Sept. 24.

Ohio Power Co. (11/19)
May 15 it was reported that this company now plans to issue and sell $28,000,000 of first mortgage bonds and 70,000 shares of $100 par value preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). (2) For preferred stock—Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

★ Pennsylvania Power Co. (10/16)
Aug. 5 it was reported company plans to issue and sell $8,000,000 of first mortgage bonds due 1987. **Proceeds**—For repayment of bank loans and new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on Oct. 16.

Philadelphia Electric Co. (9/12)
July 22 it was announced company plans sale of $40,000,000 additional bonds to mature in 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received on Sept. 12.

Public Service Co. of Indiana, Inc. (10/9)
July 29 it was announced that it is expected that a new series of $30,000,000 first mortgage bonds will be issued and sold by the company. **Proceeds**—To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Oct. 9.

Public Service Electric & Gas Co.
Aug. 1 it was announced company anticipates it will sell in the Fall of 1957 or in 1958 $25,000,000 of preferred stock (in addition to $60,000,000 of bond now registered with the SEC). **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

★ St. Louis County National Bank (9/10)
Aug. 2 it was announced Bank plans to offer to its stockholders of record Sept. 9, 1957 the right to subscribe for 30,000 additional shares of capital stock (par $10) on the basis of one new share for each 5⅔ shares held; rights to expire on or about Sept. 30, 1957. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Siegler Corp.
June 25 it was announced company plans to issue and sell in September or October of this year a maximum of 200,000 additional shares of common stock. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Smith-Corona, Inc.
Aug. 1 it was announced stockholders on Sept. 30 will vote on approving an offering to stockholders of approximately $5,000,000 convertible debentures. **Proceeds**—For expansion and to reduce bank loans. **Underwriter**—Lehman Brothers, New York.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

★ Southern Pacific Co. (9/5)
Bids will be received by the company at 165 Broadway, New York, N. Y., up to noon (EDT) on Sept. 5 for the purchase from it of $7,500,000 equipment trust certificates, series YY, due annually from Aug. 1, 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Union Gas Co.
May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

Southwestern Bell Telephone Co. (10/1)
May 24 directors approved the issuance of $100,000,000 new debentures. **Proceeds**—For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively expected to be received on Oct. 1.

★ Toledo Terminal RR. (10/10)
Aug. 12 it was reported company plans to issue and sell $6,000,000 of first mortgage bonds. **Proceeds**—To refund like amount of bonds maturing on Nov. 1, 1957. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. **Bids**—Tentatively expected to be received on Oct. 10.

★ Transcon Lines, Los Angeles, Calif.
Aug. 12 it was reported company plans issue and sale in October of 40,000 shares of common stock (par $2.50). **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

Union National Bank of Lowell
Aug. 6 the Bank offered to its stockholders of record July 31, 1957 the right to subscribe on or before Aug. 26, 1957 for 17,600 shares of capital stock (par $12.50) on the basis of one share for each five shares held. **Price**—$31 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Kidder, Peabody & Co., New York.

Utah Power & Light Co. (9/24)
March 12 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Sept. 24.

Utah Power & Light Co. (9/24)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Sept. 24.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

Walworth Co.
Aug. 6 it was reported company plans to sell an issue of more than $5,000,000 convertible subordinated debentures. **Proceeds** — To finance plant expansion and increase working capital. **Underwriters** — May be Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated, both of New York.

Wisconsin Public Service Co.
May 29 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds and about $5,000,000 common stock. **Proceeds** — For construction program and to repay bank loans. **Underwriters** — (1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. (2) For any common stock (first to stockholders on a 1-for-10 basis): The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane, Robert W. Baird & Co. and William Blair & Co. (jointly). **Registration**—Of bonds in September; and of stock in August.

Wisconsin Southern Gas Co., Inc.
July 8 it was reported company plans to offer up to $300,000 of additional common stock to its stockholders. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

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Scudder Funds Make Gains In Net Assets

Scudder, Stevens & Clark Fund, Inc. reports total net assets of $68,739,548 on Aug. 16, 1957, equal to $34.41 per share on 1,997,507 shares outstanding on that date. This compares with total net assets of $59,673,688 a year ago, equal to $38.69 per share on 1,542,223 shares then outstanding.

Scudder, Stevens & Clark Common Stock Fund, Inc. reports total net assets of $15,830,146 on Aug. 16, 1957, compared with $13,833,-297 a year ago. Per share net asset value is $23.05 on 686,872 outstanding shares, compared with $25.36 per share on 545,506 shares outstanding at that time.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

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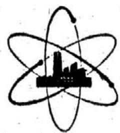

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Mutual Funds

By ROBERT R. RICH

Fund Assets at $9.8 Billion on July 31; Investors Purchase More Than $100 Million for 19th Month

Assets of the 136 open-end investment company (mutual fund) members of the National Association of Investment Companies continued to rise last month and, on July 31, stood at $9,816,489,000, it was announced. This compares with $9,687,015,000 at the end of June and $9,077,896,000 at the end of July a year ago.

Investor purchases of open-end company shares during July topped the $100,000,000 mark for the 19th consecutive month, reaching $135,025,000, according to the Association report. Purchases for June were $104,661,000 and, in July a year ago, were $123,829,000.

In July new accumulation plans opened for regular monthly or quarterly investment in mutual fund shares totaled 19,544 compared with 16,609 for the previous month and 14,080 for July of 1956. The number of accumulation plans opened during the first seven months of 1957 totaled 128,094, the Association reported. The figure for the like period of last year was 97,564.

Repurchases of open-end company shares (redemptions) totaled $37,298,000 for July and $33,077,000 for June. In July a year ago, the figures was $36,629,000, the Association stated.

Holdings of cash, U. S. Government securities and short-term obligations by the 136 open-end companies totaled $553,943,000 on July 31, compared with $544,246,000 a month earlier and $426,-732,000 at the end of July 1956. This represented 5.6% of total assets as of the end of July 1957, 5.6% at the end of June and 4.7% at the end of July a year ago.

American Fund Boost Cash to 19.4%

American Mutual Fund, Inc. at July 31, 1957, reached a new high in total net assets, Jonathan B. Lovelace, President, announced in a nine months report to shareholders.

Total net assets at July 31, 1957 were $72,501,560, or $8.68 per share for each of the 8,354,480 shares then outstanding. This is an increase of $13,848,909, or 24% over the $58,652,651 of total net assets at the beginning of the period, Oct. 31, 1956. At that date, there were 6,857,155 shares outstanding with a net asset value of $8.55 per share.

Net income excluding realized gains on sales of securities, for the nine months ended July 31, 1957 was $1,500,032, equal to 19.4 cents a share on the 7,741,390 average number of shares outstanding during the period. Net income for the corresponding months a year ago was $1,028,666, or 20.1 cents a share on the 5,122,468 average number of shares then outstanding.

The proportion of assets represented by cash and U. S. Government obligations was substantially increased during the last quarter. At July 31, 1957 such assets constituted 19.42% of the total as compared with 11.51% at April 30, 1957.

"This increase in the protection against short-term market risks was accomplished with very little loss in income since U. S. Government Treasury Bills yield an unusually high return by comparison with the rates prevailing over the last two decades," Mr. Lovelace commented.

A number of portfolio changes were made during the quarter, Mr. Lovelace reported. Additions to common stock holdings included those of Ideal Cement Company, Richfield Oil Corporation, Vanadium Corporation of America and Westinghouse Electric Corporation.

Among holdings which were significantly reduced or eliminated were Allegheny Ludlum Steel Corp., American Metal Co., Ltd., American Potash & Chemical Corp., Traders Finance Corp. Ltd., Union Oil Co. of California, United States Gypsum Co. and United States Rubber Co.

Canada Fund Holders Up by 8,000

As of June 30, approximately 105,000 U. S. investors had shares in the eight Canadian investment companies whose shares are qualified for sale to United States investors, The Committee of Canadian Investment Companies reported. This increase of about 8,-000 shareholder accounts in six months continues the steady upward trend shown since establishment of the first of these publicly held investment companies three years ago.

With total net assets of the eight Canadian funds amounting to $381,417,357 on June 30, the Committee pointed out that the average investment per shareholder on that date was about $3,635. For the first half, the increase in net assets was $71,151,-996 or 23% over the $310,265,361 at the end of 1956 and a threefold increase over the $126,245,729 for the five Canadian companies in operation at the end of 1954.

"These figures indicate," the Committee stated, "how practically the Canadian portfolio companies are implementing the important foreign policy objectives subscribed to by both the Democratic and Republican administrations for stimulating the flow of private United States investment capital to other friendly countries, with benefit to American investors.

"Although their primary emphasis is on Canadian securities, these companies currently have more than $20,000,000 of their assets invested in companies operating in Latin America, Holland, Great Britain and Africa. These Canadian investment companies have diversified investment holdings representing a cross-section of the natural resource, extractive, manufacturing and other industries reflecting the economic growth of Canada and 25 other countries of the Free World.

"By policy these investment companies retain and continuously reinvest dividend and interest income and net gains realized from the sale of securities, rather than distributing them to shareholders. Consequently they not only provide a flow of United States capital abroad which serves to stimulate the economic growth of friendly countries, but also, by reinvesting their earnings, keep both their capital and their earnings at work in the countries in which this money is invested. This constitutes a form of private foreign economic assistance that is not an expense to United States tax payers and which benefits United States investors."

Delaware Fund Commits Cash To Commons

The recent decline in the Dow-Jones Averages prompted Delaware Fund to begin purchasing commons with reserve funds held in short-term Government bonds. This action, D. Moreau Barringer, Chairman, says, marked the first phase of an investment program mapped out several months ago and since modified in the light of more recent developments.

Mr. Barringer said in most cases the stocks were additions to previous holdings, and indicated the few new positions would be reported upon their completion.

He stated that Delaware's management doubts the current reactionary phase has run its course. "Neither has our buying power been exhausted," he added.

General market opinion, he noted, favors a good fourth quarter, sparked by automobile sales, and consequently better figures for the year as a whole than those reported for the first half. But, he cautioned, this view may prove too optimistic. "If so," he continued, "we may have rather better opportunities than at present for investing the rest of our cash reserve."

Mr. Barringer observed that "in either case, the present thin markets make it imperative to do the majority of any buying program in a period of falling prices, otherwise any concentrated purchasing would rapidly push the price of most securities to an unreasonable level." That is why, he explained, the fund has begun taking advantage of the present decline, even though its management feels the market correction may not have been completed. "To fill our present scale of orders," he concluded, "would require a good deal more decline, in the averages and individual stocks, than we have yet seen."

Growth Fund To Remain Fully Invested

Net asset value per share of Growth Industry Shares, Inc. on June 30, 1957, was $16.65 against $15.69 on Dec. 31, 1956, and $16.49 a year ago. Including distributed capital gains, net asset value was up 5.2% in the year from June 30, 1956.

During the first six months of 1956, when a majority of all listed stocks declined in value, net asset value per share rose 6.1%.

Net assets of the company totaled $11,046,485 on June 30 last, against $9,585,797 at the end of 1956 and $9,011,235 a year ago. Shares outstanding increased to 663,295 from 611,079 six months previously and 546,555 on June 30, 1956.

New stocks added during the June quarter were American-Marietta and Magnavox. The first gave "broadened participation in the big Federal road building program, with more than previous emphasis on such aspects as culverts and bridges. The addition of Magnavox was to get one of the best products and managements in the television industry at a time when investments in that industry have been quoted at a rather heavy discount." Among other changes, holdings of Armco Steel, Food Fair Stores, General American Transportation, General Electric, Harris Trust & Savings Bank, Walter E. Heller, International Business Machines, Motorola, Scott Paper, Sears Roebuck, Southern Natural Gas, Square D and Woodward Iron were increased during the period. Borg-Warner, Olin Mathieson and Sutherland Paper were sold.

Discussing current investment policy, Harland H. Allen, President, said that investments "have continued exclusively in common stocks (plus cash awaiting investment) in part because management can see little virtue in buying fixed interest securities while government continues to use rising interest rates as its principal tool for curbing inflation. Moreover, since bonds at best serve principally for liquidity or stability, and other methods for achieving such purposes are being increasingly used in a 'managed economy,' we propose to keep the investment program aggressive. In a strongly inflationary period we believe that that is also the best type of defense."

Philadelphia Fund recorded a 31% increase in net assets in the 12 months ended June 30, 1957, according to its semi-annual report.

Total net assets on that date amounted to $5,916,279 for an increase of $1,395,948 over the total of $4,520,331 12 months previously. Net asset value in the period rose to $9.57 a share after adding back the 47 cents a share paid as capital gains in the 12 months from $9.33 a share on June 30, 1956.

New common stock investments made by the fund during the first half of 1957, according to the report, included Chance Vought Aircraft, Georgia-Pacific, Otis Elevator, Chas. Pfizer, National Cash Register, Union Oil of Calif., Allegheny Ludlum Steel and Central of South West Corp. The total of common stock investments amounted to 87.44% of assets at the close of the half year and were representative of 18 industries with oils the largest at 8.88% of assets.

Roy R. Coffin, President, told shareholders that selectivity has characterized the fund's portfolio operations for some time. Purchases, he pointed out, have been concentrated for the most part in individual issues with substantial commitments built up in several stocks of improving investment quality. Among these he listed A. O. Smith, Outboard Marine and Georgia-Pacific.

Johnston Mutual Fund Inc. reports net assets on June 30, 1957 of $6,147,196.03 equivalent to $21.56 per share on 285,133 shares outstanding. This compares with $5,728,085.95, or $21 per share, on Dec. 31, 1956, and $5,423,565.85, or $21.83 per share, on June 30, 1956, on shares outstanding at these respective dates. A capital gains dividend of $0.50 per share was paid by the fund on Dec. 21, 1956.

Equity Corp. Reports

The consolidated statements of The Equity Corp. and its wholly-owned subsidiary, Equity General Corp., for the six months ended June 30, 1957 show net assets at that date equivalent to $275.19 per share of $2 convertible preferred stock (preference in liquidation $50 per share and accumulated dividends), and $6.22 per share of common stock.

Comparable figures for Dec. 31, 1956 were $259.68 per $2 convertible preferred share and $5.78 per share of common stock.

Bankers Polled on Business Outlook And Credit Supply for Small Firms

Two surveys completed by the American Bankers Association show most bankers optimistic about the business outlook for the rest of 1957 and firm in their belief that credit tightening has not affected small business severely.

Bankers across the country are unusually optimistic about the prospects for general business conditions during the second half of 1957, according to the semi-annual survey of business and credit conditions completed by the Credit Policy Commission of the American Bankers Association. Bankers polled in the survey commented particularly on the health of American small business and noted that banks generally are taking care of all legitimate credit needs of small business men. Another survey by the Monetary Policy Department reveals bankers deny tightening of credit has affected small business severely.

Results of the business outlook survey were made public by George S. Moore, Chairman of the Commission, and Executive Vice-President, The First National City Bank of New York, New York City. Mr. Moore pointed out that "the extraordinary thing about the current picture is the almost total absence of exceptions to the hopeful consensus. To be sure, there are references to inflationary pressure, a profit squeeze, and resulting keen competition; but these seem underemphasized in view of their importance. Even automobiles, housing, and agriculture seem to give less concern than at any time in the past year or so."

The survey polls bankers in all parts of the country on the general outlook, the inventory situation, credit demands in specific fields, construction, interest rates, and other elements in the condition of business. These reports are then summarized for each Federal Reserve District.

Prosperity With No Boom

In the current report, a few industries, notably tobacco and textiles, are singled out for mention as facing special problems; but the Commission notes that industry is becoming so diversified everywhere that the good and bad tend to balance out to a broadly favorable prospect. Most bankers expect a period of stable, high activity, with employment, income, and demand for credit remaining much as they are. There was no evidence that a boom is expected on top of the present prosperity.

In the field of credit, the survey shows that the demand for credit is expected to remain high and constant, with some chance of a moderate rise in certain sections due largely to seasonal factors. Mortgage loans are the exception. They are generally expected to decline slightly. They predicted little change in demand for small business loans under $50,000 during the next six months.

Loans to sales finance companies, consumer credit, and real estate loans are expected to be steady with little change either way. Term loans are also expected to change little, although there is some diversity of opinion among individual bankers. The demand for this type of credit continues strong because of the expansionary trend of industry in general.

A similar diversity of opinion appears regarding loans in the appliance and automobile fields. As between those expecting a slight rise and those predicting a decline there is no geographical pattern, however.

National Survey By Districts

Some prospects revealed by the survey in various Federal Reserve Districts are:

Boston (1) — General business conditions are considered favorable. The outlook for principal industries is good, with improvement expected in areas which are or have been soft. Slowing up of accounts receivable collections appears to be a widespread complaint, and some concern is expressed over continued inflationary pressures.

New York (2) — Most respondents see little prospect for a pronounced change from current levels; however, a minority feels that there may be some improvement in the major economic indicators before the end of the year. In the New York City area, some bankers feel that business may dip slightly below the sustained high level of the first half of the year.

Philadelphia (3)—General business conditions should be excellent. No significant change is expected in steel and metal products or in textiles. Oil refining will continue at a high level. Competitive conditions are forcing a squeeze on profits, however. Many concerns will end the year with profits not at all commensurate with the volume of sales.

Cleveland (4) — Second half of the year should about match the first half, with a tendency to decline. The West Virginia trade area is experiencing an excellent industrial expansion, which will increase employment and payrolls in the District.

Richmond (5)—Outlook favorable for most industries, except in the southern regions, where tobacco, furniture, and hosiery are expected to level off or reduce activity to some extent.

Atlanta (6)—Outlook satisfactory in most lines. Consumer spending continues to be high. There is a high degree of competition in business resulting in a squeeze on profits. Good management ability is at a premium.

Chicago (7) — General agreement that business activity will continue at high levels. In the Detroit area, automobile industry prospects for the next six months are regarded as better than in the corresponding 1956 period, with the usual third quarter softness likely. Other industries mentioned as likely to experience steady to very good results include auto parts, electronics, pharmaceuticals, aircraft parts, and agricultural supplies.

St. Louis (8) — The outlook is economically good and will exceed activity for the first six months of 1957 and slightly exceed activity for the same period last year. Industrial expansion in the area continues high, and some slight improvement is noted agriculturally. New factories coming into the area; public construction of highways, streets, Federal buildings, schools, and other public buildings in the area indicate increased business activity.

Minneapolis (9)—Business outlook is very good. Employment and industrial activity continue at high levels. It is expected that activity on the Iron Range will be greater than last year. At this stage, the crop outlook is quite good; moisture has been very adequate.

Kansas City (10)—The outlook for the principal industries in this area is good. The situation for crops and cattle has changed for the better since last year, and the consensus is that the outlook is excellent.

Dallas (11)—With the principal industries operating at or near capacity, and virtually no unemployment, business conditions are good and would be better except for the adverse effects to some types of business of the very heavy and continued rains this Spring.

San Francisco (12) — Due to many factors, the airframe and electronics manufacturers will continue to operate at high levels of employment. Heavy construction such as roads, utilities, and plants will be at good levels; and the growth factor is still important in many areas.

Another Survey on Credit

In the judgment of the vast majority of the nation's bankers, the tightening of credit which has occurred over the past two years has not borne with undue severity on small business. This is the overall conclusion that emerges from another extensive survey among bankers throughout the country recently conducted by the Department of Monetary Policy of the American Bankers Association.

One major point indicated by the replies to the survey is that the degree ot which bank credit generally has tightened has been greatly exaggerated in public discussions. A substantial proportion of bankers report that bank credit is "readily available" in their localities, and most of the remainder characterize the situation as being only "somewhat tight." Only about one banker in a hundred regards it as being "very tight."

The replies make it clear that small and medium-sized banks, whose business loans consist predominantly of credits extended to small concerns, have been less affected by the tightening of credit than the larger banks. Of the reporting banks with deposits of less than $50 million, more than one-third state that bank credit is "readily available," and less than one out of 20 said that bank credit in its locality is more than merely "somewhat tight." Replies from banks in the large financial centers reflected a more stringent position.

Small Firms Are Favored

For the most part, greater selectivity in bank lending has taken the form of stricter credit review. However, five bankers out of every six who lend to both large and small concerns state that stricter credit review does not tend to curtail their lending to small business more than to large corporations. Many bankers point out that there is often a tendency in exactly the opposite direction of giving special consideration to loan applications for smaller companies.

Bankers were also asked in the survey for their judgment as to how many small business firms in their localities are suffering from inability to obtain as much credit as they really deserve. Less than 2% of the respondents answered "quite a number"; 27% said "relatively few"; and more than 71% reported "very few, if any."

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 25	§82.9	*80.6	79.4	95.8
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 25	§2,123,000	*2,062,000	2,033,000	2,359,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 9	6,797,400	6,843,350	6,882,050	7,085,850
Crude runs to stills—daily average (bbls.)	Aug. 9	¶8,008,000	*7,919,000	7,972,000	7,985,000
Gasoline output (bbls.)	Aug. 9	27,797,000	27,417,000	26,861,000	27,664,000
Kerosene output (bbls.)	Aug. 9	2,068,000	2,045,000	1,752,000	2,411,000
Distillate fuel oil output (bbls.)	Aug. 9	12,077,000	11,8[illegible]0	13,000,000	12,321,000
Residual fuel oil output (bbls.)	Aug. 9	7,548,000	7,561,000	7,739,000	7,859,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 9	172,973,000	*175,994,000	181,973,000	177,557,000
Kerosene (bbls.) at	Aug. 9	32,554,000	31,454,000	29,253,000	29,632,000
Distillate fuel oil (bbls.) at	Aug. 9	141,999,000	138,230,000	125,564,000	124,173,000
Residual fuel oil (bbls.) at	Aug. 9	50,138,000	*49,140,000	47,020,000	45,541,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 10	740,471	740,711	691,991	715,207
Revenue freight received from connections (no. of cars)	Aug. 10	604,541	601,396	481,118	597,402
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 15	$411,917,000	$298,259,000	$386,363,000	$258,080,000
Private construction	Aug. 15	229,798,000	147,396,000	202,280,000	147,461,000
Public construction	Aug. 15	182,119,000	150,863,000	184,083,000	110,619,000
State and municipal	Aug. 15	154,732,000	127,719,000	141,904,000	100,654,000
Federal	Aug. 15	27,387,000	23,144,000	42,179,000	9,965,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 10	9,690,000	*9,750,000	7,550,000	9,386,000
Pennsylvania anthracite (tons)	Aug. 10	512,000	551,000	77,000	583,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 10	110	*104	104	10[illegible]
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 17	12,409,000	12,070,000	12,306,000	11,794,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 15	222	265	266	289
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 13	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Aug. 13	$66.40	*$66.40	$64.95	$63.15
Scrap steel (per gross ton)	Aug. 13	$53.50	$53.83	$54.17	$56.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 14	23.075c	28.100c	28.825c	39.700c
Export refinery at	Aug. 14	25.875c	26.075c	26.650c	37.700c
Lead (New York) at	Aug. 14	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Aug. 14	13.800c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	Aug. 14	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Aug. 14	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Aug. 14	26.000c	26[illegible]0c	25.000c	25.000c
Straits tin (New York) at	Aug. 14	94.250c	94.750c	96.625c	98.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 20	86.85	86.69	86.71	90.99
Average corporate	Aug. 20	90.63	90.77	92.06	101.97
Aaa	Aug. 20	94.41	94.71	96.07	105.00
Aa	Aug. 20	93.08	92.93	94.26	104.14
A	Aug. 20	90.91	91.05	92.79	101.80
Baa	Aug. 20	84.43	84.68	85.72	97.00
Railroad Group	Aug. 20	88.67	88.95	89.92	100.49
Public Utilities Group	Aug. 20	91.05	91.48	93.08	102.13
Industrials Group	Aug. 20	91.91	91.77	93.38	103.13
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 20	3.63	3.65	3.65	3.22
Average corporate	Aug. 20	4.37	4.36	4.27	3.63
Aaa	Aug. 20	4.11	4.09	4.00	3.45
Aa	Aug. 20	4.20	4.21	4.12	3.50
A	Aug. 20	4.35	4.34	4.22	3.64
Baa	Aug. 20	4.83	4.81	4.73	3.94
Railroad Group	Aug. 20	4.51	4.49	4.42	3.72
Public Utilities Group	Aug. 20	4.34	4.31	4.20	3.62
Industrials Group	Aug. 20	4.28	4.29	4.18	3.56
MOODY'S COMMODITY INDEX	Aug. 20	420.4	428.2	429.8	423.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 10	272,100	359,226	199,159	271,685
Production (tons)	Aug. 10	279,462	282,952	153,861	273,441
Percentage of activity	Aug. 10	92	95	55	95
Unfilled orders (tons) at end of period	Aug. 10	504,138	506,493	488,517	519,034
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 16	110.36	110.32	110.21	108.97
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 27	1,160,960	1,522,820	1,307,310	1,427,210
Short sales	July 27	195,480	283,060	227,670	303,670
Other sales	July 27	1,035,280	1,242,660	1,134,930	1,160,070
Total sales	July 27	1,230,760	1,525,720	1,362,600	1,463,740
Other transactions initiated on the floor—					
Total purchases	July 27	221,320	286,330	346,100	221,400
Short sales	July 27	11,400	18,700	29,200	21,700
Other sales	July 27	224,630	242,410	218,990	275,280
Total sales	July 27	236,030	261,110	248,190	296,980
Other transactions initiated off the floor—					
Total purchases	July 27	366,560	486,402	452,091	521,955
Short sales	July 27	54,470	77,450	84,090	101,410
Other sales	July 27	383,896	508,207	445,372	625,620
Total sales	July 27	438,366	585,657	529,462	727,030
Total round-lot transactions for account of members—					
Total purchases	July 27	1,748,840	2,295,552	2,005,501	2,170,565
Short sales	July 27	261,350	379,210	340,960	426,780
Other sales	July 27	1,643,806	1,993,277	1,799,292	2,060,970
Total sales	July 27	1,905,156	2,372,487	2,140,252	2,487,750
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	July 27	1,204,429	1,469,140	1,243,296	1,297,777
Dollar value	July 27	$60,824,132	$76,557,055	$67,174,539	$73,870,605
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 27	943,451	1,195,715	918,676	1,038,124
Customers' short sales	July 27	4,355	5,224	4,958	8,002
Customers' other sales	July 27	939,096	1,190,491	913,718	1,030,122
Dollar value	July 27	$46,955,483	$58,980,325	$47,024,644	$53,447,057
Round-lot sales by dealers—					
Number of shares—Total sales	July 27	228,670	286,930	207,870	276,180
Short sales	July 27	------	------	------	------
Other sales	July 27	228,670	286,930	207,870	276,180
Round-lot purchases by dealers—					
Number of shares	July 27	461,950	542,260	536,590	522,500
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	July 27	333,210	442,030	405,140	524,710
Other sales	July 27	9,281,380	11,425,920	9,471,820	10,465,620
Total sales	July 27	9,614,590	11,867,950	9,876,960	10,990,333
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 13	118.0	*118.1	118.0	114.5
Farm products	Aug. 13	92.7	*93.1	92.9	89.0
Processed foods	Aug. 13	106.4	*106.8	107.1	102.8
Meats	Aug. 13	97.9	98.7	99.2	83.2
All commodities other than farm and foods	Aug. 13	125.6	*125.6	125.5	122.2

*Revised figure. ¶Includes 1,271,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of May	145,174	139,152	150,800
Stocks of aluminum (short tons) end of May	195,126	176,104	11,898
AMERICAN PETROLEUM INSTITUTE—Month of May:			
Total domestic production (barrels of 42 gallons each)	255,935,000	250,881,000	242,583,000
Domestic crude oil output (barrels)	230,696,000	226,231,000	218,976,000
Natural gasoline output (barrels)	25,214,000	24,630,000	23,554,000
Benzol output (barrels)	25,000	20,000	53,000
Crude oil imports (barrels)	32,294,000	27,193,000	29,074,000
Refined product imports (barrels)	16,010,000	19,059,000	14,825,000
Indicated consumption domestic and export (barrels)	264,732,000	282,434,000	266,706,000
Increase all stocks (barrels)	39,507,000	14,699,000	19,776,000
COAL OUTPUT (BUREAU OF MINES)—Month of July:			
Bituminous coal and lignite (net tons)	34,760,000	39,030,000	30,519,000
Pennsylvania anthracite (net tons)	1,505,000	2,564,000	1,869,000
COPPER INSTITUTE—For month of June:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	104,254	*105,952	110,967
Refined (tons of 2,000 pounds)	134,270	151,045	136,713
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	101,993	*120,336	131,299
Refined copper stocks at end of period (tons of 2,000 pounds)	165,549	155,365	60,671
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of July:			
Adjusted for seasonal variations	133	127	128
Without seasonal adjustment	105	*121	101
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of May (000's omitted)	45,353,450	45,671,071	42,840,421
Revenue from ultimate customers—month of May	$746,672,000	$751,690,000	$696,515,000
Number of ultimate customers at May 31	54,428,374	54,291,919	53,071,866
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of July (1947-49=100)	76.5	76.7	78.3
METAL PRICES (E. & M. J. QUOTATIONS)—July:			
Copper—			
Domestic refinery (per pound)	28.690c	30.334c	40.807c
Export refinery (per pound)	26.727c	28.410c	36.002c
††London, prompt (per long ton)	£217.549	£227.132	Not Avail.
††Three months, London (per long ton)	£219.587	£228.809	Not Avail.
Lead—			
Common, New York (per pound)	14.000c	14.320c	16.000c
Common, East St. Louis (per pound)	13.800c	14.120c	15.800c
††Prompt, London (per long ton)	£90.614	£91.688	£113.659
††Three months, London (per long ton)	£91.247	£91.987	£112.040
Zinc (per pound)—East St. Louis	10.005c	11.360c	13.500c
§§Zinc, Prime Western, delivered (per pound)	10.505c	10.860c	14.000c
††Zinc, London, prompt (per long ton)	£75.152	£74.303	£93.483
††Zinc, London, three months (per long ton)	£73.745	£73.868	£92.341
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.280c	90.456c	90.137c
Silver, London (per ounce)	78.125d	78.283d	78.500d
Sterling Exchange (check)	$2.78783	$2.79024	$2.79335
Tin, New York Straits	96.538c	98.060c	96.265c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$254.308	$255.000	$255.000
¶Antimony, New York boxed	36.590c	36.590c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$90.154	$92.000	$105.000
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	25.900c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not Avail.
Magnesium ingot (per pound)	35.250c	35.250c	33.750c
**Nickel	74.000c	74.000c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of July:			
Total number of vehicles	591,039	593,387	522,018
Number of passenger cars	495,918	500,669	440,980
Number of motor trucks	94,803	92,349	80,731
Number of motor coaches	318	369	307
PORTLAND CEMENT (BUREAU OF MINES)—Month of May:			
Production (barrels)	27,485,000	23,967,000	29,606,000
Shipments from mills (barrels)	28,940,000	23,125,000	31,787,000
Stocks (at end of month—barrels)	33,175,000	34,893,000	25,204,000
Capacity used (per cent)	92	83	110
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of June:			
Total operating revenues	$867,914,786	$906,512,551	$899,996,931
Total operating expenses	685,783,378	713,552,984	685,793,182
Operating ratio	79.02	78.71	76.20
Taxes	$86,895,657	$91,009,454	$96,686,233
Net railway operating income before charges	74,030,563	80,798,427	95,258,445
Net income after charges (estimated)	58,000,000	65,000,000	79,000,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of May:			
Passenger Tires (Number of)—			
Shipments	8,056,507	8,104,362	7,616,521
Production	8,312,496	7,878,438	7,628,428
Inventory	18,049,621	17,821,312	17,714,007
Truck and Bus Tires (Number of)—			
Shipments	1,093,762	1,276,829	1,263,694
Production	1,177,927	1,071,623	1,358,035
Inventory	3,580,155	3,486,248	3,582,091
Tractor-Implement Tires (Number of)—			
Shipments	292,863	380,796	277,803
Production	319,612	282,271	237,745
Inventory	703,307	669,130	808,157
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,213,944	3,104,148	2,877,726
Production	3,547,773	3,427,612	3,092,804
Inventory	7,421,546	6,968,638	7,657,327
Tread Rubber (Camelback)—			
Shipments (pounds)	34,671,000	*34,927,000	33,077,000
Production (pounds)	35,871,000	*33,788,000	32,190,000
Inventory (pounds)	31,049,000	*29,531,000	25,431,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange.

Our Reporter's Report

The corporate new issue market took on a definitely more sanguine atmosphere this week what with institutional buyers showing more interest in the fixed term security market. Whether the improved tone in bonds generally was at the expense of the stock market was not immediately clear.

But it was evident that portfolio men and those operating trusts and pension funds, were leaning to bonds and away from the stock market for the moment. Even though the Federal Reserve probably would move quickly to ease the money situation if inflationary pressures subsided, it probably is felt that interest rates are not likely to run off very much.

And though the demands of industry for new capital are building up a heavy calendar for the balance of the year, the feeling in market circles is that large-scale investors will be standing by to look over the new material as it reaches market.

The only requirement to assure a satisfactory market, observers contend, is that new issues coming out be priced realistically as has been the case in the more recent corporate flotations.

This week's two very substantial-sized offerings, one an industrial and the other a communications issue, encountered demand in volume that was sufficient not only to absorb them but to lift them to premiums.

Taken Up Quickly

Atlantic Refining Co.'s $100 million of convertible, subordinated debentures, maturing in 30 years, proved one of those real "out-of-the-window" deals on reaching market this week.

To begin with, it provided a "hedge" on inflation through its convertible feature, and the sinking fund provides for retirement of upward of 60% of the issue by maturity.

With a profitable oil industry offering a favorable backdrop this issue, offered at 100, rose quickly to sell at a premium of 2½ points on the bid side.

Meantime, Pacific Telephone & Telegraph Co.'s $90 million of 23-year debentures, offered to yield 4.95% and carrying a 5⅛% coupon, also negotiated a small premium.

Cutting It Fine

It was really nip-and-tuck in the bidding for Pacific Telephone's $90 million offering. Two syndicates toed the line as bids were opened, and company officials must have rubbed their eyes.

For here was a case where little more than $7,000 overall separated the bid of the runner-up from that of the winning syndicate. Bankers frequently run close in figuring out their tenders for a given issue. But this instance proved one of the exceptions.

The successful group bid 101.639 for a 5⅛% interest rate. And the second bid was 101.6311, or less than eight cents per $1,000 bond away.

Next Week's Slate

Several substantial new offerings are shaping up for the week ahead. On Tuesday bankers will be bidding for $40 million bonds of Southern California Edison Co., and $10 million preferred stock of General Telephone Co. of California.

On the following day El Paso Natural Gas Co. has $60 million of debentures, plus $10 million of preferred stock up for bids. And Public Service Electric & Gas will take bids for its $60 million of new bonds.

And on Thursday bankers will be offering 400,000 shares of Walt Disney Productions as a "secondary" for the account of Atlas Corp.

FINANCIAL NOTICE

Notice is hereby given that reorganization proceedings of Texas City Chemicals, Inc. have been completed and holders of the 5¼% Subordinate Sinking Fund Debentures of that company due January 1, 1963 must present them to

Corporate Trust Department
Mercantile National Bank at Dallas
Dallas, Texas

to be exchanged for new 5% Subordinate Income Debentures of the reorganized company due March 31, 1967, on the basis of approximately $12.00 in debentures and approximately $3.00 in cash for each $100 of old debentures surrendered.

The new debentures are in registered form. When sending old debentures to the Mercantile National Bank at Dallas, please instruct them as to the manner of registration and the address of the registered owner.

JAMES NOEL, Trustee
Texas City Chemicals, Inc.

Dated at Houston, Texas
August 1, 1957

With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—Raymond C. Granieri is now with Irving Lundborg & Co., 470 Ramona St.

Joins Livingston Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Warren E. Sladky is now connected with Livingston Williams & Co., Inc., Hanna Building.

DIVIDEND NOTICES

CITY INVESTING COMPANY
25 Broad Street, New York 4, N. Y.

The Board of Directors of this company on August 21, 1957, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable October 1, 1957, to stockholders of record at the close of business on September 16, 1957.

JOHN A. KENNEDY,
Vice President and Secretary

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Del., August 19, 1957

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable October 25, 1957, to stockholders of record at the close of business on October 10, 1957; also $1.50 a share on the Common Stock as the third quarterly interim dividend for 1957, payable September 14, 1957, to stockholders of record at the close of business on August 26, 1957.

P. S. DU PONT, 3RD, *Secretary*

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of thirty-five cents (35c) per share and an extra dividend of twenty cents (20c) per share on the capital stock ($3 par value) of the Corporation, payable September 16, 1957, to stockholders of record August 30, 1957.

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.
August 20, 1957

CYANAMID

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable October 1, 1957, to the holders of such stock of record at the close of business September 3, 1957.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of thirty-seven and one-half cents (37½¢) per share on the outstanding shares of the Common Stock of the Company, payable September 27, 1957, to the holders of such stock of record at the close of business September 3, 1957.

R. S. KYLE, *Secretary*

New York, August 20, 1957.

DIVIDEND NOTICES

THE GARLOCK PACKING COMPANY

August 14, 1957
COMMON DIVIDEND No. 325

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share and an *extra* dividend of 25¢ per share were declared on the common stock of the Company, payable September 30, 1957, to stockholders of record at the close of business September 6, 1957.

H. B. PIERCE, *Secretary*

Diamond Chemicals

Regular Quarterly
Dividend on Common Stock

The Directors of Diamond Alkali Company have on Aug. 15, 1957, declared a regular quarterly dividend of 45 cents per share, payable Sept. 10, 1957, to holders of common capital stock of record Aug. 26, 1957.

DONALD S. CARMICHAEL, Secretary
Cleveland, Ohio • Aug. 16, 1957

DIAMOND ALKALI COMPANY
Chemicals you live by

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER.

A second interim dividend on the Ordinary Stock for the year ending 30th September 1957 of six pence for each Ten Shillings of Ordinary Stock, free of United Kingdom Income Tax will be payable on 30th September, 1957.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 231 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E.C.3., for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less United Kingdom Income Tax) for the year ending 30th September next will also be payable on the 30th September, 1957.

Coupon No. 108 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W.C.2., for examination five clear business days (excluding Saturday) before payment is made.

DATED 21st August, 1957.

By Order
A. D. McCORMICK,
Secretary.

Westminster House,
7, Millbank,
London, S.W. 1.

Stockholders who may be entitled by virtue of Article XIII (1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 901 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

DIVIDEND NOTICES

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 170 of fifty cents (50¢) per share on the common stock payable October 15, 1957, to stockholders of record at the close of business on September 13, 1957.

GERARD J. EGER, Secretary

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

August 16, 1957

At the meeting of the Board of Directors of Kennecott Copper Corporation held today, a cash distribution of $1.50 per share was declared, payable on September 23, 1957, to stockholders of record at the close of business on August 30, 1957.

PAUL B. JESSUP, Secretary

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on September 12, 1957, to shareholders of record at the close of business on August 30, 1957. Checks will be mailed.

JOHN CORCORAN,
Vice-President & Secretary

August 19, 1957.

NATIONAL STEEL *Corporation*

111th Consecutive Dividend

The Board of Directors at a meeting on August 14, 1957, declared a quarterly dividend of one dollar per share on the capital stock, which will be payable Sept. 12, 1957, to stockholders of record August 26, 1957.

PAUL E. SHROADS
Senior Vice President

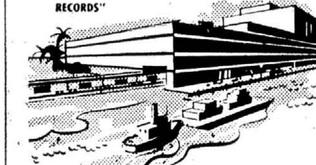
DIVIDEND NOTICE

FLORIDA POWER & LIGHT COMPANY

Miami, Florida

A quarterly dividend of 32c per share has been declared on the Common Stock of the Company, payable September 24, to stockholders of record at the close of business on August 30, 1957.

R. H. FITE
President



DIVIDEND NOTICES

UNITED UTILITIES, INCORPORATED

50th Consecutive Dividend

The Board of Directors declared a quarterly dividend of 30 cents per share on the outstanding common capital stock of the company, payable on or before September 30, 1957, to stockholders of record at the close of business August 28, 1957.

Abilene, Kans.
August 8, 1957

ALDEN L. HART,
President

J. O. ROSS ENGINEERING CORPORATION
NEW YORK, N. Y.

At a meeting held on August 14, 1957 the Board of Directors of this corporation declared the regular quarterly dividend of 30c per share on the common stock, payable on September 10, 1957 to stockholders of record at the close of business on August 29, 1957.

J. F. FORSYTH,
Treasurer

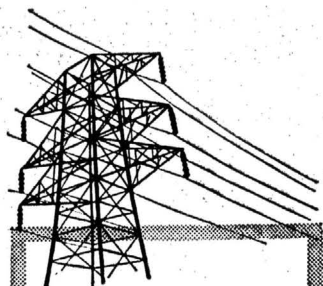
TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 36 cents per share on the Common Stock of the Company, payable October 1, 1957 to stockholders of record at the close of business September 3, 1957.

D. W. JACK
Secretary

August 16, 1957



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 193
60 cents per share;

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 42
27 cents per share.

The above dividends are payable September 30, 1957, to stockholders of record September 5. *Checks will be mailed from the Company's office in Los Angeles, September 30.*

P. C. HALE, *Treasurer*

August 16, 1957

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Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — A Senate Banking and Currency Committee recently approved a bill that would broaden the regulatory powers of the Securities and Exchange Commission to include authority over companies whose securities are traded exclusively in the Over-the-Counter Market, but it will not be considered by either the Senate or House at this session of Congress.

As the law-makers headed for the final days of the session, members of the Senate committee said insufficient time remained for them to bring this so-called Fulbright bill up for floor consideration. The bill to amend the Securities Exchange Act of 1934 would subject hundreds of corporations to the same financial and proxy reporting provisions presently applicable to companies listed on a National Securities Exchange. It would embrace corporations with at least 1,000 stockholders and $10,000,000 in assets. The SEC has attempted, without success, to push through Congress a similar measure during each of the past 10 years or so.

Proposed requirements for these corporations would include submission of periodic financial data and various kinds of report to the SEC, compliance with SEC rules regarding the solicitation of proxies, and regular filing by officers, directors and large stockholders of their holdings of the corporation's stock.

The bill was reported out by Chairman J. William Fulbright and committee colleagues with two dissenting votes, who were present and voting, plus one dissent voting against the proposal through proxy.

Expensive Duplication

Meantime, a number of companies are opposing the measure on a series of grounds. Some declare they are already burdened by heavy reporting requirements as a result of various kinds of government regulations. Some state officials have also advised members of Congress that the whole scheme is an expensive duplication.

The Securities and Exchange Commission is for the pending bill. Like practically all Federal agencies and bureaus, the SEC would like to have greater and greater powers. It would build up a bigger bureaucracy to have hundreds of additional corporations brought within its jurisdiction.

A check showed that some of the corporations have expressed the opinion that if they are required to report sales and other data in detail it would divulge facts that would be of tremendous benefit to their competitors. Furthermore, the hearings failed to prove that commensurate benefits would come to the stockholders to warrant the expensive burden that would be placed on the corporations.

Many Americans who used to advocate Federal handouts for various things, at long last have begun to realize that when they send a dollar to Washington, it usually is not worth more than 70 cents after Washington has had its take and it is sent back locally. The new proposed legislation would levy a financial burden on the owners—the stockholders—who would have to pay all expenses.

By terms of the Committee-recommended bill every officer or director of a company with an equity security registered, as well as every person owing more than 10% of a security, must file a statement of his holdings and promptly report any change in the holdings.

The Fulbright bill would apply to each issuer of stocks having total assets of $10,000,000 or more, which is engaged in interstate commerce or whose securities are traded through the mails, or on any national securities exchange facility.

"Against Public Interest"

R. E. L. Hall, general counsel of the National Coal Association, maintains that the bill would not serve the public interest. On the contrary, it would be "helpful" only to the Securities and Exchange Commission and the stock exchanges. The attorney added, in a statement of opposition to the measure: "The added prestige that accrues to government bureaucracy, with an increase in budget and regulatory authority, is hardly sufficient justification to warrant the additional burden to the already weary taxpayers of the nation."

The Fulbright bill (S 1168), as originally proposed, applied to companies with assets of only $2,000,000 or more and 750 stockholders or $1,000,000 in debt securities. Obviously many corporations would escape the red-tape and financial burdens as a result of the Committee amendment raising the assets figure to $10,000,000.

However, it is an old legislative trick to try and get a foot in the door. Eventually, the door will be opened. There are hundreds of thousands of corporations in the United States. Some experts in testimony before the Committee expressed the opinion that the bill would deter many small business firms that have a chance of growing, to remain in private hands.

Ever since the Securities and Exchange Act of 1934, the Securities and Exchange people and some members of Congress have been allegedly apprehensive over the stockholders in the "little corporations."

Funston's Views

G. Keith Funston, President of the New York Stock Exchange, testified in behalf of the bill. He likewise testified in behalf of a similar bill in 1955. He maintained that the unlisted companies which would be affected by the proposal are not small businesses as far as the public appraised them. His testimony was given before the Committee amended the bill to apply to a corporation of $10,000,000 or more instead of assets of $2,000,000 or more and 750 stockholders or more.

The Committee contends that the amended measure, if enacted, would affect only about 650 corporations whereas more than 1,200 would have been affected by previous bills. Funston testified that every one of the 1,200 companies were larger in size that many of the listed companies, presently subjected to the SEC regulations. He testified that there were 469 listed companies, which were not large enough to meet the $2,090,000 minimum originally proposed. He said 38 of these companies are listed on the New York Stock Exchange, 154 on the American Exchange, and the other 277 small companies are listed on regional securities exchanges.

It was brought out in the hearings that the minimum requirements in general for listing on the New York Stock Exchange are that a company should have at least $7,000,000 in assets, and have earnings of at least $1,000,000 after taxes for the previous three years, and should have at least 1,500 stockholders.

The hearings also brought out that it would cost the taxpayers an estimated $500,000 a year additional to bring the provisions of the over-the-counter securities under the SEC.

Section 16(B) Not Applicable

The Senate Committee, at the request of the SEC, amended the bill to make section 16(b) of the 1934 statute inapplicable to the corporations subject to the bill. This subsection permits a corporation or one of its stockholders, by civil suit, to recapture for the corporation any "short swing profits" realized by its officers, directors and principal stockholders. The SEC suggested time to make a study of whether this provision would work to the detriment of over-the-counter security holders by discouraging the maintenance of markets by sponsoring dealers. The Committee urged the SEC to undertake a study of the "problem" upon the effective date of the proposed bill.

The provisions of the bill would not apply to any security issued by a bank, building and loan association, cooperative bank, homestead association, which is supervised and examined by State or Federal authority having supervision over such institutions. Nor would it apply to any security of an issuer organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes.

The Commission would be empowered to suspend unlisted trading privileges in whole or in part of over-the-counter securities for one year, if it deemed it necessary.

"No Useful Purpose"

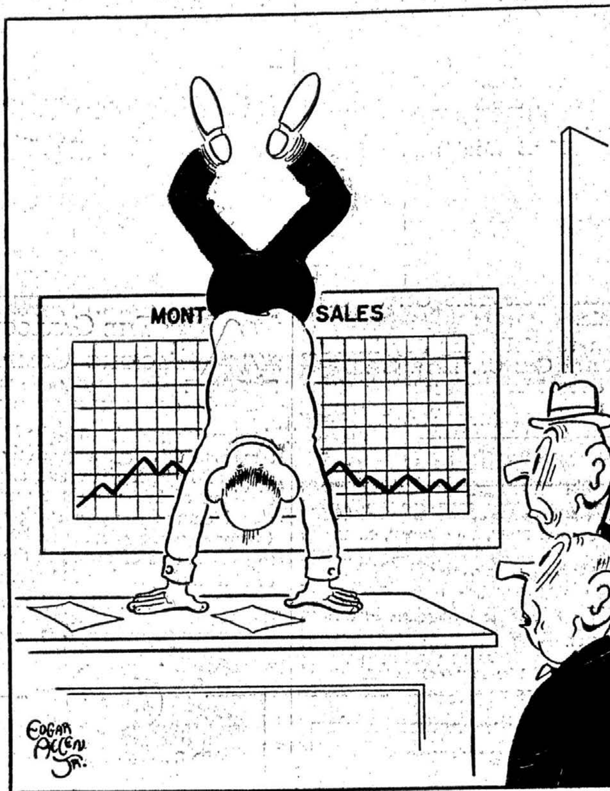
Tyre Taylor, general counsel for Southern States Industrial Council, summed up the opposition to the far-reaching measure when he declared:

"What possible useful purpose is to be served by this further centralization of power in Washington?

"Most of the States have statutes which are already serving the same purpose this Federal law is ostensibly designed to serve, and in those states where there is no statute, the common law applies."

[*This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.*]

BUSINESS BUZZ



"Sales just look much better to him from that position!"

Business Man's Bookshelf

Baruch: My Own Story—Bernard M. Baruch — Henry Holt and Company, 383 Madison Ave., New York 17, N. Y. (cloth) $5.

Battle For Investment Survival—G. M. Loeb—Simon and Schuster, 630 Fifth Ave., New York 20, N. Y. (cloth) $3.95.

The "How" of Successful Sales Management — Merrill DeVoe—Prentice-Hall, Inc., 70 Fifth Ave., New York 11, N. Y.

New York Stock Exchange Guide—In three volumes (directory; constitution and rules; related laws and regulations) — Commerce Clearing House, Inc., 4025 West Peterson Ave., Chicago 30, Ill.—12 months subscription to October, 1958, $50; 24 months to Oct. 1, 1959, $45 per year.

1958 Budget — Blackwell Smith, Robert E. Merriam, Harley L. Lutz and Edwin B. George—in No. 27 of "Current Business Studies" — Society of Business Advisory Professions, Inc., 6 Washington Square, North, New York 3, N. Y. (paper).

Strengthening Science Education For Youth and Industry—Proceedings of the Seventh Thomas Alva Edison Foundation Institute — New York University Press, Washington Square, New York 3, N. Y. (paper) $5.

Taxation For Growth—J. Cameron Thompson—Committee for Economic Development, 444 Madison Ave., New York 22, N. Y. (paper) 20 cents.

Technical Cooperation in Latin America: How United States Business Firms Promote Technological Progress—Simon Rottenberg—National Planning Association, 1606 New Hampshire Ave., N. W., Washington 9, D. C. (paper) $1.75.

Working With the Revenue Code — 1957 — Edited by James J. Mahon, Jr.—American Institute of Certified Public Accountants, 270 Madison Ave., New York 16, N. Y. (paper) $2.25; (cloth) $3.

Two With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — James M. Lynch and James M. Ragland have joined the staff of Walston & Co., Inc., 901 Southwest Washington Street.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Robert L. Gibbon is now with Bache & Co. Johnston Building.

FOREIGN SECURITIES
CARL MARKS & CO. INC.
FOREIGN SECURITIES SPECIALISTS
20 BROAD STREET • NEW YORK 5, N. Y.
TEL: HANOVER 2-0050 TELETYPE NY 1-971

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